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Advanced Education and Technology

Public Post-Secondary Institutions Audited Financial Statements

Universities and The Banff Centre for the year ended March 31, 2009

Government of Alberta

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Public Post-Secondary Institutions
Audited Financial Statements

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ATHABASCA UNIVERSITY
Financial Statements

For the year ended March 31, 2009

AUDITOR GENERAL
Alberta

Auditor's Report

To the Athabasca University Governing Council

I have audited the statement of financial position of Athabasca University as at March 31, 2009 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 29, 2009

ATHABASCA UNIVERSITY

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2009

(thousands of dollars)

	2009	2008 (Restated, Note 3)
ASSETS		
Current assets		
Cash and short-term investments (Note 4)	$ 21,586	$ 23,334
Accounts receivable (Notes 18)	4,939	5,439
Inventory of course materials	4,040	3,805
Prepaid expenses	1,077	1,184
	31,642	33,762
Non-current investments (Notes 4)	39,992	51,340
Deferred course development costs (Note 5)	71	141
Capital assets (Note 6)	25,526	21,842
	$ 97,231	$ 107,085
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals	$ 3,351	$ 4,736
Salaries and benefits payable (Note 7)	6,564	7,168
Deferred revenue	12,672	11,791
Deferred contributions (Note 8)	5,940	4,545
Current portion of deferred lease inducement (Note 9)	117	117
	28,644	28,357
Deferred salaries and benefits payable (Notes 7 and 19)	3,767	3,689
Deferred lease inducement (Note 9)	29	146
Deferred capital contributions (Note 10)	27,615	29,771
Universities Academic Pension Plan unfunded liability (Notes 19)	4,330	3,570
Unamortized deferred capital contributions (Note 11)	12,454	10,206
Unamortized course development contributions (Note 11)	71	141
	76,910	75,880
Net assets		
Investment in capital assets (Note 6)	13,072	11,636
Endowments (Note 12)	2,029	1,595
Internally restricted (Note 13)	9,550	19,529
	24,651	32,760
Unrestricted	-	2,015
Universities Academic Pension Plan unfunded deficiency (Note 19)	(4,330)	(3,570)
	(4,330)	(1,555)
	20,321	31,205
	$ 97,231	$ 107,085

Approved on behalf of the Governing Council

Joy Romero, P.Eng., MBA PM
Chair

Dr. Frits Pannekoek
President

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2009

(thousands of dollars)

	2009	2008 (Restated, Note 3)
Revenue		
Province of Alberta grants (Note 18)	$ 38,537	$ 34,211
Undergraduate student fees	39,070	36,844
Graduate student fees	15,138	13,153
Sales of goods and services	12,444	12,908
Research and other grants	1,231	909
Donations (Note 15)	1,228	673
Amortization of unamortized deferred capital contributions (Note 11)	833	1,876
Other	121	88
Amortization of deferred course development contributions (Note 11)	70	70
Investment income (loss) (Note 14)	(2,463)	661
	106,209	101,393
Expenses		
Salaries and benefits	77,536	67,097
Fees and purchased services	15,718	14,427
Materials and supplies	9,861	9,312
Communications and travel	7,600	7,346
Amortization of capital assets	2,907	3,601
Facilities rental	1,864	1,605
Scholarships	1,302	494
Insurance, utilities and taxes	880	730
Amortization of deferred course development costs (Note 5)	70	70
Loss (gain) on disposal of capital assets	(15)	76
	117,723	104,758
Deficiency of revenue over expenses	$ (11,514)	$ (3,365)

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2009

(thousands of dollars)

	2009						2008
	Investment in Capital Assets	Endowments (Note 12)	Internally Restricted (Note 13)	Unrestricted	UAPP unfunded deficiency	Total	Total (Restated, Note 3)
Balance, beginning of year as previously reported	$ 11,636	$ 1,595	$ 19,529	$ 2,015	$ -	$ 34,775	$ 39,354
Restatement (Note 3)					(3,570)	(3,570)	(4,840)
Balance, beginning of year as restated	$ 11,636	$ 1,595	$ 19,529	$ 2,015	$ (3,570)	$ 31,205	$ 34,514
Deficiency of revenue over expenses	-	-	-	(10,754)	(760)	(11,514)	(3,365)
Investment in capital assets, internally funded	3,510	-	(2,485)	(1,025)	-	-	-
Proceeds from sale of capital assets	(15)	-	-	15	-	-	-
Amortization of internally funded capital assets	(2,074)	-	-	2,074	-	-	-
Gain on disposal of capital assets	15	-	-	(15)	-	-	-
Expenditure of internally restricted net assets	-	-	(2,269)	2,269	-	-	-
Endowment contributions and net transfers	-	434	-	196	-	630	56
Transfer from internally restricted net assets	-	-	(5,225)	5,225	-	-	-
Balance, end of year	$ 13,072	$ 2,029	$ 9,550	$ -	$ (4,330)	$ 20,321	$ 31,205

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2009

(thousands of dollars)

	2009	2008 (Restated, Note 3)
Cash provided from operating activities:		
Deficiency of revenue over expenses	$ (11,514)	$ (3,365)
Items not affecting cash flow:		
Amortization of capital assets	2,907	3,601
Amortization of deferred course development costs	70	70
Loss (gain) on disposal of capital assets	(15)	76
Increase in deferred salaries and benefits payable	78	351
Increase (decrease) in UAPP unfunded liability	760	(1,270)
Amortization of deferred course development contributions	(70)	(70)
Amortization of deferred lease inducement	(117)	(117)
Amortization of deferred capital contributions	(833)	(1,876)
Unrealized loss on investments	3,922	1,580
	(4,812)	(1,020)
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	372	(1,696)
Change in current liabilities, except current portion of deferred lease inducement and capital construction holdbacks	283	4,125
	655	2,429
	(4,157)	1,409
Cash used in investing activities:		
Capital asset acquisitions, internally funded	(3,510)	(4,825)
Capital asset acquisitions, externally funded	(3,077)	(488)
Proceeds on disposal of capital assets	15	9
Decrease (increase) in non-current investments	11,348	(21,872)
Unrealized loss on investments	(3,922)	(1,580)
	854	(28,756)
Cash provided from financing activities:		
Capital contributions	74	30,129
Interest earned on capital contributions	851	283
Endowment contributions	630	56
	1,555	30,468
Increase (decrease) in cash and short-term investments	(1,748)	3,121
Cash and short-term investments, beginning of year	$ 23,334	20,213
Cash and short-term investments, end of year	$ 21,586	$ 23,334

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under authority of the *Post-Secondary Learning Act, Statutes of Alberta* 2003, chapter P-19.5. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General – GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates, the potential errors in which are, in the administration's opinion, within reasonable limits of materiality, have been made using professional judgment and conform to the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Revenue Recognition

Government grants are recognized as revenue in the period received or receivable, unless a portion of a grant relates to a future period, in which case that portion is deferred and recognized in the appropriate future period.

Revenue received for the provision of goods and services is recognized in the period in which the goods are provided or the services rendered. Deferred revenue includes course fees received in advance.

Investment income includes interest income and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, or deferred, or reported as direct increases to net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having limited life are initially recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets. Contributions restricted for the acquisition of non-consumable capital assets (e.g., land) are initially recorded as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Revenue Recognition (continued)

Contributions restricted for the development of courses are deferred and amortized to revenue over five years.

Endowed donations, including capitalized investment earnings, are recognized as direct increases in net assets in the period in which they are received. The portion of investment earnings which, in accordance with agreements with benefactors or the authority provided by Section 76(2) (c) of the *Post-Secondary Learning Act*, is transferred to investment income when the scholarships are paid.

Donations of goods and services that otherwise would have been purchased are recorded at fair value when a fair value can be reasonably determined; otherwise, they are recorded at nominal value.

Volunteers contribute an indeterminable number of hours to assist the University in carrying out its mission. Such contributed services are not recognized in these financial statements.

(c) Financial Instruments

Financial assets and liabilities are classified in order to recognize, measure and account for changes in fair value.

Financial assets classified:

- as held-for-trading are measured at fair value with changes in fair value recognized immediately in the statement of operations, and
- as held-to-maturity, or as loans and receivables, are measured at amortized cost with gains and losses recognized in the statement of operations when the asset is derecognized.

Financial liabilities classified:

- as held-for-trading are measured at fair value with changes in fair value recognized immediately in the statement of operations, and
- as other financial liabilities are measured at amortized cost with gains and losses recognized in the statement of operations when the liability is derecognized.

The University's financial assets and liabilities are generally classified and measured as follows:

Financial Statement category	Classification	Measurement
Cash and short-term investments	Held-for-trading	Fair value
Non-current investments	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost
Salaries and benefits payable	Other financial liabilities	Amortized cost

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Financial Instruments (continued)

Other accounts in the Statement of Financial Position have not been classified as they are not within the scope of the accounting standard. These include; inventory of course materials, prepaid expenses, deferred course development costs, capital assets, deferred revenue, deferred contributions, current portion of deferred lease inducement, deferred salaries and benefits payable, deferred lease inducement, Universities Academic Pension Plan unfunded liability, unamortized deferred capital contributions and unamortized course development contributions.

The amortized cost of loans and receivables and other financial liabilities approximates their carrying value. The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The value of the University's financial instruments are recognized on their settlement date. Transaction costs related to all financial instruments are expensed as incurred.

The University has elected, as permitted by the standard, not to classify non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts.

(d) Investments

Investments are recorded at fair market value. They are initially recognized at acquisition cost and subsequently remeasured at fair value at each reporting date. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date.

(e) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value. Cost of purchased inventory includes the purchase price, shipping and net tax. For internally produced inventory, cost also includes direct and indirect overhead.

(f) Copyrights

The University obtains copyrights on all course materials produced. These copyrights are recorded at a nominal value of one dollar and are included in prepaid expenses.

(g) Deferred Course Development Costs

Costs for the development of special purpose courses sponsored through Curriculum Redevelopment Funding are deferred and amortized over five years from the time development is completed.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(h) Capital Assets

Capital asset acquisitions are recorded at cost, except for donated assets, which are recorded at fair value. Except for works of art [1] capital assets are amortized on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings	40
Site improvements	10 - 25
Computing equipment and software	3 - 10
Vehicles, furnishings and other equipment	5 - 10
Leasehold improvements	lesser of 5 years or lease term
Library materials	10

(1) Works of art purchased by the University are recorded at cost and donated works of art are recorded at fair value. Works of art are not amortized. Works of art include sketches, limited edition prints, photographs, sculptures, rare books, and original paintings. The works of art are held by the University for public exhibition.

(i) Employee Future Benefits

The University participates with other employers in two defined benefit pension plans, the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

Pension costs for PSPP are accounted for using the defined contribution method and comprise the amount of employer contributions to the plan that are required for the University's employees during the year, based on contribution rates that are expected to provide for benefits payable.

Pension costs for UAPP are accounted for using the defined benefit method and comprise the amount as actuarially determined using the projected defined benefit value of UAPP in total, and allocated to the University based on University's respective percentage of pensionable earnings.

The University's other defined benefit plans include the following: Administrative Leave, Flexible Benefits, Extended Health and Dental Care, Life and Dependent Life Insurance, Weekly Indemnity, Long-term Disability and General Illness.

For the Administrative Leave and Flexible Benefit Plans, the cost of benefits earned by employees is actuarially determined using the projected benefit method, prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately.

For the Extended Health and Dental Care Plans, the costs of benefits earned by employees are the actual claims paid during the period, the insurer's cost of administration (net of interest), plus the year-over-year change in the estimate for any claims that may have occurred but have not been paid.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Employee Future Benefits (continued)

For the Life and Dependent Life Insurance, Weekly Indemnity and Long Term Disability Plans, the cost of the employee future benefit, if any, is not reflected. Future premium rates are negotiated annually. Rate adjustments are determined based on a combination of the insurer's manual rate and the University's actual claims experience over the past five years. Any plan assets resulting from the surplus or deficit of the plans are attributed to the insurer.

The cost of future benefits related to the General illness Plan is not significant at year end and is therefore not included in the University's financial statements.

(j) Deferred Lease Inducement

One of the University's operating leases for premises provides for a lease inducement. This inducement has been deferred and is being recorded as a reduction of rent expense over the term of the lease.

(k) Internally Restricted Net Assets

The University has designated internally restricted net assets for future operating and capital needs. These amounts are not available for other purposes without the approval of Governing Council.

Note 3 Restatement

In previous years, the University had accounted for its pension costs related to the Universities Academic Pension Plan (UAPP) based on a defined contribution basis. These pension costs are now recorded using the defined benefit method. The University's share of the liability has been allocated based on a percentage of pensionable earnings.

These changes have been applied retroactively with restatement of comparative numbers. As a result, the University's financial statements have been restated as follows:

		2008
Statement of Financial Position - Liabilities		
Universities Academic Pension		
Plan unfunded liability, as previously stated	$	-
April 1, 2007 balance		4,840
Change in liability, 2008		(1,270)
Universities Academic Pension		
Plan unfunded liability, as restated	$	3,570
Statement of Operations		
Deficiency of revenue over expense, as previously stated	$	(4,635)
Change in liability, decrease benefit expense		1,270
Deficiency of revenue over expense, as restated	$	(3,365)
Statement of Financial Position - Net Assets		
Unrestricted - Universities Academic Pension		
Plan unfunded deficiency, as previously stated	$	-
April 1, 2007 balance		(4,840)
Change in liability, 2008		1,270
Unrestricted - Universities Academic Pension		
Plan unfunded deficiency, as restated	$	(3,570)

Note 4 Cash and Short-Term Investments and Non-Current Investments

Cash and investments are recorded at fair value and consist of the following:

	2009	2008
Bank balances[1]	$ 2,131	$ 6,172
Money market investments [2]	22	22
Investment Fund	59,425	68,480
Total Cash and Investments	61,578	74,674
Less amount recorded as non-current	(39,992)	(51,340)
Cash and short-term investments	$ 21,586	$ 23,334
Non current investments consist of		
Endowments	$ 2,029	$ 1,595
Deferred salaries and benefits payable	3,767	3,689
Deferred capital contributions	27,615	29,771
Internally restricted net assets, non-current portion	6,581	16,285
Non-current investments	$ 39,992	$ 51,340

(1) From April 1, 2008, to March 31, 2009, interest was earned based on the daily-tiered closing balance as follows: $0 to $49,999 – no interest, $50,000 to $749,999 - prime less 2.25% and $750,000 and over - prime less 1.95%.

(2) Money market investments were purchased at a discount and were rated R-1 or better by the Dominion Bond Rating Service. For the year ending March 31, 2009, the average effective yield was nil (2008 – 4.70%).

The University's investments are subject to normal interest rate, market, foreign currency, credit and liquidity risks, which could affect future cash flows, revenues and financial position. Interest rate, market and foreign currency risks refer to the potential adverse consequences of changes in interest rates, market value and foreign currency respectively. Credit risk relates to the potential that the issuer of a financial instrument will fail to discharge an obligation and cause the University to incur a financial loss. Liquidity risk refers to the risk that an issuer will encounter difficulty in raising funds to meet its commitments. These risks are managed in a number of ways through the University's Investment Policy, the Investment Advisory Group and the University's external fund manager.

The Investment Policy for the University, approved by the Athabasca University Governing Council, provides the structure and guidelines within which the University's investment portfolio is to be effectively managed and enhanced. The University's Investment Advisory Group has the delegated authority for oversight of the University's investments.

An investment objective is to ensure that the investments are selected to match the anticipated cash flow requirements of the University. Therefore, short-, medium-, and long-term (including endowment) investment portfolios have been established. Based on cash flow projections, the University determines the amounts to be invested in each portfolio.

The Investment Policy defines minimum and maximum ranges for each type of qualifying investment within each investment portfolio.

Note 4 Cash and Short-Term Investments and Non-Current Investments (continued)

The Investment Fund comprises

	2009					2008
	Short-term (less than 1 year)	Medium-term (1 to 5 years)	Long-term (more than 5 years)	Endowment (more than 5 years)	Total Investment Fund	Total Investment Fund
Cash and short-term	$ 28,305	$ -	$ -	$ -	$ 28,305	$ 33,940
Fixed income	-	11,957	9,475	1,263	22,695	23,996
Equities						
Canadian	-	1,132	2,180	294	3,606	4,371
U.S.	-	761	2,000	263	3,024	3,680
International	-	432	1,203	160	1,795	2,493
Total equities	-	2,325	5,383	717	8,425	10,544
Total Investment Fund	$ 28,305	$ 14,282	$ 14,858	$ 1,980	$ 59,425	$ 68,480

In accordance with the Investment Policy, the entire short-term portfolio was invested in readily liquid Canadian securities or in cash.

Eighty-four per cent (2008 – 85 per cent) of the medium-term portfolio was invested in fixed income securities, which is within the prescribed range of 75 to 100%, while 16 per cent (2008 – 15 per cent) was invested in equities, which is within the prescribed range of up to 25 per cent.

Sixty-four per cent (2008 – 57 per cent) of the long-term and endowment portfolios were invested in fixed income securities, which is within the prescribed range of 50 to 100 per cent, while 36 per cent (2008 – 43 per cent) were invested in equities, which is within the prescribed range of up to 50 per cent.

In accordance with the Investment Policy, Canadian equities are listed in the S&P/TSX composite index, and U.S. and International equities are limited to shares and pooled funds listed and traded on recognized stock market exchanges.

The University's external fund manager allocates the investments within the above portfolios into specific pools or funds including a Canadian Money Market Fund, a Bond Fund, a Canadian Equity Fund, a U.S. Equity Fund and an Overseas Equity Fund.

As at March 31, 2009, 74 per cent of the cash and short-term investments in the Canadian Money Market Fund were issued by banks and other financial institutions, 10 per cent were issued or guaranteed by the federal government or a provincial government and the remainder were issued by corporations across a variety of sectors.

The entire fixed income portfolio is invested in the Bond Fund. As instructed by the Investment Advisory Group, all bonds and debentures are rated BBB or higher, as measured by the Dominion Bond Rating Service (DBRS). A primary strategy used by the external fund manager to address risks in this fund is varying duration based on anticipation of future yields. The external fund manager also manages risks by varying the percentage of bonds and debentures issued by corporations as compared to those issued or guaranteed by the federal government or a provincial government. As of March 31, 2009, for example, 40 per cent of this fund was invested in bonds, debentures and mortgages issued or guaranteed by the federal government or a provincial government, and the remainder was invested in bonds and debentures issued by corporations, primarily banks and other financial institutions. For the Bond Fund and Money market Funds risks related to foreign currency exchange rate fluctuations are insignificant.

Note 4 Cash and Short-Term Investments and Non-Current Investments (continued)

The external fund manager manages risks in the equity funds primarily by varying investments across sectors and judiciously selecting specific stocks within those sectors. The largest concentration of equities at March 31, 2009, was in the financial sector, comprising 33 per cent of the Canadian Equity Fund, 17 per cent of the U.S. Equity Fund and 11 per cent of the Overseas Equity Fund. More moderate concentrations of equities include the energy, industrials, consumer staples and health care sectors.

The annualized, daily weighted average rates of return for the investment pools were as follows:

	2009	2008
Canadian Money Market Fund	3.1%	4.7%
Bond Fund	3.0%	4.6%
Canadian Equity Fund	-32.8%	-2.2%
United States Equity Fund	-25.2%	-15.8%
Overseas Equity Fund	-33.1%	-14.3%

Note 5 Deferred Course Development Costs

	2009	2008
Balance, beginning of year	$ 141	$ 211
Amount amortized during year	(70)	(70)
Balance, end of year	$ 71	$ 141

Note 6 Capital Assets and Investment in Capital Assets

	2009			2008		
	Cost [1]	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,565	$ -	$ 1,565	$ 1,565	$ -	$ 1,565
Buildings and site improvements	30,219	16,732	13,487	27,212	15,935	11,277
Leasehold improvements	3,193	1,532	1,661	3,400	1,671	1,729
Furnishings, equipment and software	22,307	15,189	7,118	20,016	14,385	5,631
Library materials	5,761	4,734	1,027	5,585	4,590	995
Works of art	668	-	668	645	-	645
	$ 63,713	$ 38,187	25,526	$ 58,423	$ 36,581	21,842
Unamortized deferred capital contributions related to capital assets (Note 11)			(12,454)			(10,206)
Investment in capital assets			$ 13,072			$ 11,636

(1) Beginning August 1, 2006, for a term of 99 years, the University has leased certain lands (Lot 3 and 4, Block 8, Plan 0623053, to the north of and adjacent to its main campus) to the Town of Athabasca and the County of Athabasca for a nominal amount of $1 per year.

(2) Included in the cost of capital assets are projects in progress that are not yet being amortized. These include leasehold improvements $0 (2008 - $925), software $0 (2008 - $677) and buildings $3,519 (2008 -$512).

Note 7 Salaries and Benefits Payable

	2009	2008
Other defined benefit plans		
Administrative Leave Plan	$ 1,765	$ 1,615
Flexible Benefit Plan	1,200	1,243
Total other defined benefit plans (Note 19)	2,965	2,858
Salaries and wages	2,302	3,422
Vacation pay	2,681	2,427
Professional development funds	2,383	2,150
Total salaries and benefits payable	10,331	10,857
Current portion of salaries and benefits payable	(6,564)	(7,168)
Deferred salaries and benefits payable	$ 3,767	$ 3,689

Deferred salaries and benefits payable are the long-term accrued benefit obligations of the Administrative Leave Plan, Flexible Benefit Plan and professional development accounts.

Note 8 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2009	2008
Balance, beginning of year	$ 4,545	$ 2,943
Contributions received		
Grants	5,294	2,969
Donations (Note 15)	439	1,007
Other	157	-
Transfer to deferred capital contributions (Note 10)	(74)	(129)
Amount recognized as revenue		
Grants	(3,915)	(1,905)
Donations (Note 15)	(506)	(340)
Balance, end of year	$ 5,940	$ 4,545
The balance consists of funds restricted from		
Province of Alberta		
Access to the Future Fund	$ 2,536	$ 2,330
Infrastructure Maintenance Program	585	-
Enrolment Planning Envelope	419	439
Other ministries, agencies or foundations	121	189
Sponsored research projects	1,589	1,587
Special projects	518	-
Student awards	172	-
	$ 5,940	$ 4,545

Note 9 Deferred Lease Inducement

The University received a lease inducement under an agreement for leased premises in 2006. The inducement has been deferred and is being applied as a reduction of rent expense over the term of the lease as follows:

	2009	2008
2009	-	117
2010	117	117
2011	29	29
Total unamortized deferred lease inducement	146	263
Less: current portion	(117)	(117)
Long-term portion of deferred lease inducement	$ 29	$ 146

Note 10 Deferred Capital Contributions

Deferred capital contributions represent capital funding received from external sources that remain unspent at March 31. Changes in the deferred capital contributions balances are as follows:

	2009	2008
Balance, beginning of year	$ 29,771	$ -
Grant received	-	30,000
Interest earned (Note 14) [(1)]	851	283
Transfers from deferred contributions (Note 8)	74	129
	925	30,412
Transfers to unamortized deferred capital contributions (Note 11)	(3,081)	(641)
Balance, end of year	$ 27,615	$ 29,771

(1) Interest on capital grant, originally received from the Province of Alberta in 2008 fiscal.

Note 11 Unamortized Deferred Capital and Deferred Course Development Contributions

	2009		2008	
	Capital	Course Development	Capital	Course Development
Balance, beginning of year	$ 10,206	$ 141	$ 11,441	$ 211
Transfer from deferred capital contributions (Note 10)	3,081	-	641	-
	13,287	141	12,082	211
Amortized to revenue	(833)	(70)	(1,876)	(70)
Balance, end of year	$ 12,454	$ 71	$ 10,206	$ 141

Note 12 Endowments

Endowments consist of externally restricted donations, the principal of which is required to be maintained intact.

	2009				2008
	Endowments				
	Capital Contributions	Capitalized Earnings	Expendable Earnings	Total	Total
Balance, beginning of year	$ 1,439	$ 156	$ -	$ 1,595	$ 1,560
Donations received (Note 15)	630	-	-	630	-
Awards	-	-	(11)	(11)	(47)
Transfer from internally restricted net assets	-	-	-	-	47
Transfer from (to) unrestricted net assets [1]	-	51	(236)	(185)	35
Balance, end of year	$ 2,069	$ 207	$ (247)	$ 2,029	$ 1,595

(1) Capitalized earnings $51 (2008 - $63) allocated from expendable earnings. The accumulated loss in expendable earnings is expected to be recovered by future investment income. Includes investment earnings (loss) of ($189) (2008 - $63).

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by Athabasca University Governing Council for specific future operating and capital needs. These amounts are not available for other purposes without the approval of the Governing Council.

	Balance, beginning of year	Net expenditures	Net transfers	Balance, end of year
Operating				
New program development	$ 7,254	$ (990)	$ (6,075)	$ 189
Bridging to retirement	1,470	(494)	-	976
Future student awards	1,714	-	(162)	1,552
Future claims reserve	460	171	-	631
	10,898	(1,313)	(6,237)	3,348
Capital				
Investment in systems development [1]	8,118	(3,441)	1,525	6,202
Infrastructure	513	-	(513)	0
	8,631	(3,441)	1,012	6,202
Total internally restricted net assets	$ 19,529	$ (4,754)	$ (5,225)	$ 9,550

(1) Net expenditures include $956 materials and purchased services of a non capital nature.

Note 14 Investment Income

	2009	2008
Investment income (loss) from		
Operating bank accounts	$ 124	$ 351
Investment fund	(1,937)	315
Marketable securities	-	240
Other	12	101
Total investment income (loss)	(1,801)	1,007
Transfer to deferred capital contributions (Note 10)	(851)	(283)
Transfer to endowments (Note 12)	189	(63)
Total investment income (loss) recognized	$ (2,463)	$ 661

Note 15 Donations

Donations were recognized as revenue during the year as follows:

	2009			2008
	Cash(1)	In-kind(2)	Total	Total
Donations received	$ 1,108	$ 683	$ 1,791	$ 1,340
Net transfers to deferred contributions (3) (Note 8)	(67)	-	$ (67)	667
Transfer to endowments (Note 12)	630	-	630	-
Total donations recognized	$ 545	$ 683	$ 1,228	$ 673

(1) Includes shares contributed with a fair value of $297, converted to cash, for a research related project.

(2) In-kind donations of $683 (2008 - $309) consisted of professional services received during the year.

(3) Donations received subject to external restrictions: $439 (2008 - $1,007) less $506 (2008 - $340) recognized as revenue.

Note 16 Budget

The budget for the year ended March 31, 2009, as approved by Athabasca University Governing Council on March 30, 2008, is presented together with actual revenue and expenses for the year.

	Actual	Budget
Revenue		
Province of Alberta grants	$ 38,537	$ 37,485
Undergraduate student fees	39,070	42,149
Graduate student fees	15,138	16,824
Sales of goods and services	12,444	13,730
Research and other grants	1,231	1,004
Donations	1,228	3,500
Amortization of unamortized deferred capital contributions	833	1,007
Other	121	679
Amortization of deferred course development contributions	70	-
Investment income (loss)	(2,463)	2,275
	106,209	118,653
Expenses		
Salaries and benefits	77,536	81,369
Fees and purchased services	15,718	19,112
Materials and supplies	9,861	10,742
Communication and travel	7,600	7,052
Amortization of capital assets	2,907	3,842
Facilities rental	1,864	1,695
Scholarships	1,302	580
Insurance, utilities and taxes	880	715
Amortization of deferred course development costs	70	-
Loss (gain) on disposal of capital assets	(15)	-
	117,723	125,107
Deficiency of revenue over expenses	$ (11,514)	$ (6,454)

Note 17 Contractual Obligations

The University has contractual commitments of $27,233 (2008-$0) for a capital project, of this amount $16,500 is anticipated to be expended in 2010 and the reminder in 2011. Funding for this project was provided from a Province of Alberta capital grant and is included in deferred capital contributions (Note 10).

The University is committed to operating leases expiring no later than 2013 for facilities and equipment, with the following minimum annual payments:

2010	$ 1,287
2011	$ 1,442
2012	$ 1,423
2013	$ 679

The University is also required to pay a pro rata share of the operating expenditures of the facilities.

Note 18 Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	2009	2008
Operating grant	$ 33,826	$ 30,512
Enrolment Planning Envelope	3,244	3,407
Infrastructure maintenance	919	142
Access to the Future Fund (1)	1,200	-
Other	1,576	447
	40,765	34,508
Capital grant	-	30,000
Total contributions received	40,765	64,508
Change in deferred contributions and other accruals from provincial sources	(2,228)	(30,297)
Province of Alberta grants revenue recognized	$ 38,537	$ 34,211

(1) In 2008 a receivable of $1,200 is included in the change amount of $ (30,297).

At March 31, 2009, the University had accounts receivable from the Province of Alberta of $1,451 (2008 - $2,171) and from the University of Lethbridge of $459 (2008- $559).

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to $1,272 (2008 - $1,393).

During the year, the University conducted certain other business transactions with other universities and public colleges. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair value amounts.

Note 19 Employee Future Benefits

Pension Plans

The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings.

At December 31, 2008, the PSPP reported an actuarial deficiency of $1,187,538 (2007 – $92,070). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2008. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $897 (2008 - $851).

At December 31, 2008, the UAPP reported an actuarial funding deficiency of $1,055,471 (2007 - $535,843) consisting of a pre-1992 deficiency of $752,437 (2007 - $501,300) and a post-1991 deficiency of $303,034 (2007 $34,543). An actuarial valuation of the UAPP was carried out as at December 31, 2006 and was then extrapolated to December 31, 2008. A further extrapolation was completed to March 31, 2009 reporting a net funding deficiency of $1,299,860 ($857,110 for pre-1992 service and $442,750 for post-1991 service). The University's portion, which has been

Note 19 Employee Future Benefits (continued)

allocated based on its plan members' percentage of pensionable earnings, is estimated to be $28,420 at March 31, 2009 (2008 - $ 12,020). The University has recorded an accrued benefit liability of $4,330 (2008 - $3,570) and deferred $24,090 (2008 - $8,450) of unamortized experience losses as prescribed by the accounting standards for employee future benefits.

The significant actuarial assumptions used to measure the UAPP's total accrued benefit obligation are as follows:

	2009	2008
Accrued benefit obligation as of March 31		
Discount rate	6.70%	6.70%
Average compensation increase	6.00%	6.00%
Benefit costs for years ended March 31		
Discount rate	6.70%	6.70%
Average compensation increase	6.00%	6.00%

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions of 1.25 per cent (2007 – 1.25 per cent) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 1.74 per cent (2007 – 2.28 per cent) of salaries required to eliminate the unfunded liability by December 31, 2043. The unfunded liability for service after December 31, 1991 is financed by special payments of 1.08 per cent (2007 – 2.64 per cent) of salaries shared equally between employees and employers until December 31, 2021.

Administrative Leave and Flexible Benefits Plan

The University's Administrative Leave Plan and Flexible Benefit Plan have no plan assets. The University has provided for these plans by accruing a benefit obligation of $2,965 (2008 - $2,858) in salaries and benefits payable (Note 7).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations for the other defined benefit plans are as follows:

	2009	2008
Discount rate and rate of return		
Administrative Leave Plan	7.70%	5.50%
Flexible Benefit Plan	7.90%	5.75%
Rate of compensation increase		
First year	7.00%	7.00%
Subsequent years	5.00%	7.00%
Average remaining service period of active employees		
Administrative Leave Plan	8	9 years
Flexible Benefit Plan	15	14 years
Retirement age	62	62 years

During the year, the University paid benefits from these benefit plans totaling $926 (2008 - $432). Employee future benefit costs recognized in the year are $1,356 (2008 - $1,017).

Note 19 Employee Future Benefits (continued)

Extended Health and Dental Care Plans

The accrued benefit obligation and plan assets for the Extended Health and Dental Care defined benefit plans are $95 (2008 - $95) and $725 (2008 - $554) respectively. The net position of the plans of $630 (2008 - $460) is recorded in accounts receivable in the University's statement of financial position. The change in the net position of $170 (2008 - $48) is recorded as a reduction to expenses in the University's statement of operations. Employer premiums paid to Alberta Blue Cross of $2,461 (2008 - $2,032) are recorded as an expense in the University's statement of operations.

Note 20 Salary and Benefits Disclosure

A Treasury Board directive under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2009				2008
	Base Salary[1]	Cash Benefits[2]	Non-cash Benefits[3]	Total	Total
Governing Council[4]					
Chair of Governing Council	$ -	$ -	$ -	$ -	$ -
Governing Council members	-	-	-	-	-
Executive Officers					
President	341	29	45	415	416
Vice-presidents					
Academic	222	14	26	262	238
Advancement	214	14	26	254	240
Finance and Administration	205	11	26	242	233
Chief Information Officer	187	11	26	224	199
Associate Vice-presidents					
Academic	170	-	26	196	159
Research	176	-	26	202	192
Increase in Administrative Leave Plan accruals[5] [6]					
President				79	98
Vice-presidents					
Academic				41	51
Advancement				38	41
Finance and Administration				38	65
Chief Information Officer				50	54
Associate Vice-presidents					
Academic				21	15
Research				-	-

(1) Base salary is pensionable and includes pay for vacation time taken.

(2) Cash benefits include lump sum payments and any other non-pensionable direct cash remuneration.

(3) Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long- and short-term disability plans. In addition, non-cash benefits include tuition paid on behalf of employees.

(4) The chair and the 17 members (2008 – 16) of Governing Council receive no remuneration for participation on the council.

(5) Administrative Leave Plan accrual amounts include the current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates.

(6) The total Administrative Leave Plan payable for these members is $869 (2008 - $787) (Note 7).

UNIVERSITY OF ALBERTA
Financial Statements

For the year ended March 31, 2009

Auditor's Report

Financial Statements:

UNIVERSITY OF ALBERTA

FINANCIAL STATEMENTS

for the Year Ended March 31, 2009

AUDITOR GENERAL
Alberta

Auditor's Report

To the Board of Governors of the University of Alberta

I have audited the statement of financial position of the University of Alberta as at March 31, 2009 and the statements of operations and change in unrestricted net assets, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
June 1, 2009

THE UNIVERSITY OF ALBERTA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2009
(thousands of dollars)

	2009	Restated (note 3) 2008
ASSETS		
Current		
Cash and cash equivalents (note 4)	$ 119,621	$ 77,343
Short-term investments (note 5)	719,958	410,401
Accounts receivable	117,841	189,697
Inventories and prepaid expenses	17,309	16,960
	974,729	694,401
Investments (note 5)	790,326	1,014,771
Capital assets and collections (note 6)	1,970,766	1,718,478
	$ 3,735,821	$ 3,427,650
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 208,601	$ 161,143
Current portion of employee future benefit liabilities (note 7)	33,899	32,986
Current portion of long-term obligations (note 8)	10,483	9,799
Deferred contributions, research and other (note 9)	269,444	280,801
Deferred revenue	15,351	18,824
	537,778	503,553
Employee future benefit liabilities (note 7)	96,934	87,029
Long-term obligations (note 8)	193,852	185,335
Deferred contributions, research and other (note 9)	90,000	90,000
Deferred contributions, capital (note 9)	495,632	290,074
Unamortized deferred capital contributions (note 10)	1,329,723	1,121,647
	2,743,919	2,277,638
Net Assets		
Endowments (note 11)	602,414	734,191
Investment in capital assets and collections (note 12)	450,023	407,668
Unrestricted (deficit)	(60,535)	8,153
	991,902	1,150,012
	$ 3,735,821	$ 3,427,650

Contingent liabilities and commitments (note 13)

Signed on behalf of the Board of Governors:

Brian Heidecker
Chair, Board of Governors

President

---------- The accompanying notes are part of these financial statements. ----------

THE UNIVERSITY OF ALBERTA
STATEMENT OF OPERATIONS AND CHANGE IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2009
(thousands of dollars)

	2009	Restated (note 3) 2008
REVENUE		
Provincial government (note 15)	$ 681,089	$ 624,247
Federal and other government	174,647	153,625
Sales of services and products	217,506	196,224
Credit course tuition and related fees	205,243	188,988
Grants and donations	108,215	73,340
Investment loss (note 5)	(42,302)	(7,956)
	1,344,398	1,228,468
Amortization of deferred capital contributions (note 10)	75,514	56,971
	1,419,912	1,285,439
EXPENSE		
Salaries	725,191	664,404
Employee benefits	137,285	112,938
Materials, supplies and services	304,354	272,413
Utilities	39,129	35,001
Maintenance	64,728	56,497
Interest	10,604	10,068
Scholarships and bursaries	81,609	73,217
Amortization of capital assets	124,598	102,882
	1,487,498	1,327,420
DEFICIENCY OF REVENUE OVER EXPENSE	(67,586)	(41,981)
NET TRANSFER FROM ENDOWMENTS (note 11)	29,974	27,809
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS (note 12)	(31,076)	25,429
Change in unrestricted net assets for the year	(68,688)	11,257
UNRESTRICTED NET ASSETS (DEFICIT), BEGINNING OF YEAR	8,153	(3,104)
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	$ (60,535)	$ 8,153

--------- *The accompanying notes are part of these financial statements.* ---------

THE UNIVERSITY OF ALBERTA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2009
(thousands of dollars)

	Endowments	Investment in Capital Assets and Collections	Restated (note 3) Unrestricted Net Assets (deficit)
NET ASSETS, March 31, 2007 (as previously reported)	$ 752,486	$ 410,418	$ 48,856
Adjustment to prior period (note 3)	-	-	(51,960)
NET ASSETS, March 31, 2007	$ 752,486	$ 410,418	$ (3,104)
Deficiency of revenue over expense	-	-	(41,981)
Investment loss (note 5)	(42,954)	-	-
Endowment contributions	52,468	-	-
Net transfer from endowments (note 11)	(27,809)	-	27,809
Net investment in capital assets (note 12)	-	(25,429)	25,429
Contributions of assets not subject to amortization (note 12)	-	22,679	-
NET ASSETS, March 31, 2008	$ 734,191	$ 407,668	$ 8,153
Deficiency of revenue over expense	-	-	(67,586)
Investment loss (note 5)	(140,959)	-	-
Endowment contributions	39,156	-	-
Net transfer from endowments (note 11)	(29,974)	-	29,974
Net investment in capital assets (note 12)	-	31,076	(31,076)
Contributions of assets not subject to amortization (note 12)	-	11,279	-
NET ASSETS, March 31, 2009	$ 602,414	$ 450,023	$ (60,535)

---------*The accompanying notes are part of these financial statements*---------

THE UNIVERSITY OF ALBERTA
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2009
(thousands of dollars)

	2009	Restated (note 3) 2008
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Deficiency of revenue over expense	$ (67,586)	$ (41,981)
Add (deduct) non-cash items:		
Amortization of capital assets	124,598	102,882
Amortization of deferred capital contributions	(75,514)	(56,971)
Loss on disposal of capital assets	2,545	550
Change in employee future benefit liabilities	10,818	(5,485)
Change in unrealized loss on investments	54,256	45,525
Total non-cash items	116,703	86,501
Net change in non-cash working capital (*)	(196,422)	(496,752)
	(147,305)	(452,232)
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of capital assets and collections	(378,840)	(284,159)
Purchases of investments, net	44,481	(33,692)
Endowment investment earnings (loss)	(15,910)	21,650
Proceeds on disposal of capital assets	68	86
	(350,201)	(296,115)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Endowment contributions	39,156	52,468
Capital contributions	489,148	476,060
Contributions of assets not subject to amortization	11,279	22,679
Long-term obligations - new financing	10,060	38,307
Long-term obligations - repayments	(9,859)	(9,528)
	539,784	579,986
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42,278	(168,361)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,343	245,704
CASH AND CASH EQUIVALENTS, END OF YEAR (note 4)	$ 119,621	$ 77,343

	2009	2008
(*) **Net change in non-cash working capital:**		
Increase in short-term investments	$ (309,557)	$ (560,419)
Decrease (increase) in accounts receivable	71,856	(38,417)
Increase in inventories and prepaid expenses	(349)	(3,043)
Increase in accounts payable and accrued liabilities	56,458	36,744
(Decrease) increase in deferred contributions, research and other	(11,357)	66,233
(Decrease) increase in deferred revenue	(3,473)	2,150
	$ (196,422)	$ (496,752)

---------The accompanying notes are part of these statements---------

1. Authority and purpose

The University of Alberta ("the University") operates under the *Post-Secondary Learning Act* of the Province of Alberta to provide post-secondary and graduate education and to engage in research and public service. The University is a registered charity, and under section 149 of the *Income Tax Act* of Canada, is exempt from the payment of income tax.

2. Summary of significant accounting policies and reporting practices

(a) General - GAAP and use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. University administration uses judgment to determine such estimates. Employee future benefit liabilities, amortization of capital assets and asset-backed commercial paper investments are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Interest in joint ventures

The financial statements use the proportionate consolidation method to record the University's proportionate share of each financial statement component of the following joint ventures:

- Canada School of Energy and Environment (46.2% interest) – a joint venture with two other universities to promote coordination and collaboration in research and education related to the implementation of Alberta's energy and environment strategies.
- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Alberta Health Services to support the shared missions of Alberta Health Services and the University for collaborative clinical research.
- TEC Edmonton (50% interest) - a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.
- Tri-University Meson Facility (TRIUMF) (14.3% interest) - a joint venture with six other universities to operate a sub-atomic physics research facility.

These joint ventures are not material to the University's financial statements, and therefore, separate condensed financial information is not presented.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit, money market funds, short-term notes and treasury bills, with a maximum maturity of 90 days at date of purchase.

(d) Financial instruments

The University has classified cash and cash equivalents and all of its investments as held for trading; these are measured at fair value. Subsequent changes in the fair value of unrestricted investments are recognized into net income immediately. Subsequent changes in the fair value of endowment investments are recognized as direct increases or decreases to endowments. Accounts receivable, accounts payable and long-term obligations are measured at amortized cost using the effective interest rate method.

All derivative financial instruments of the University are classified as held for trading. The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. Forward contracts are marked to market at the end of each reporting period with any changes in the market value recorded in the statement of operations when the changes occur. As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts, and the University has elected to continue to follow CICA 3861: *Disclosure and Presentation*.

(thousands of dollars)

The calculation of fair value is based upon market conditions at a specific point in time, with the exception of real estate held directly by the University which is not for operational use. The value of investments recorded in the financial statements is determined as follows:

- Short-term investments are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper with a maturity between 91 days and one year and units in a pooled money market fund. These investments are valued based on cost plus accrued income, which approximates fair value. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss.
- Publicly traded securities are valued based on the latest bid prices.
- Investments in pooled funds are valued at their net asset value per unit.
- Real estate directly held by the University which is not for operational use is recorded at cost.
- Infrequently traded securities are based on quoted market yields or prices of comparable securities, as appropriate.

The University's financial instruments are recognized on their trade date and fair values have been recorded for all assets in transit. Transaction costs related to all financial instruments are expensed as incurred.

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk and market risk. The University's receivables are due from a diverse group of customers and are subject to normal credit risk other than receivables from government entities which are at lower than normal risk. The interest rate risk is the risk to earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates or the inability to obtain lower rates on fixed rate instruments when interest rates rise. The foreign exchange risk is the risk of fluctuations in costs related to purchase transactions mainly in US dollars and amounts collected for receivables which are due in US dollars. The market risk is the risk to earnings that arises from the fluctuation and the degree of volatility in the value of investments. Each of these risks is managed through the University's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost.

(f) Capital assets and collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include the portion of library assets with permanent value, museum specimens, archival materials, maps and works of art.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Buildings and utilities	10 - 40 years
Equipment and furnishings	3 - 10 years
Learning resources	10 years

Effective April 1, 2008 the University changed its estimated useful life on the following equipment and furnishings categories: scientific lab (from 15 to 10 years), computers (from 7 to 5 years), and various other equipment (ranging from 15 - 25 to 10 years).

(g) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value based on the present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

(h) Revenue recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

- Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges - are recognized when collected.
- Revenues received for services and products - when the services or products are provided.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.

Deferral method
Contributions, including investment income on the contributions, which are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions to acquire capital assets with limited life are first recorded as deferred contributions, capital when received, and when expended, they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

(i) Foreign currency translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses from these translations are included in investment income.

(j) Employee future benefits

Pension
The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings. Actuarial gains or losses on the accrued benefit obligation are amortized over the expected average remaining service life.

The University does not have sufficient plan information on the PSPP to follow the standards for defined benefit accounting, and therefore follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits.

Long-term disability
The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

Early retirement
The cost of providing accumulating post employment benefits under the University's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially

(thousands of dollars)

determined using the projected benefit method pro rated on services, a market interest rate and administration's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

(k) Capital disclosures

Effective April 1, 2008, the University adopted CICA 1535: Capital Disclosures. The new standard requires an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new note disclosure is as follows:

The University defines its capital as the amounts included in deferred contributions (note 9), endowment net assets (note 11) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Advanced Education and Technology. The University has investment policies (note 5), spending policies and cash management procedures to ensure the University can meet its capital obligations

Under the *Post-Secondary Learning Act*, the University must receive ministerial approval for a deficit budget, borrowing and the sale of any land or buildings.

(l) Contributed services

Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

3. Change in accounting policy for employee future benefits

In previous years, the University accounted for its pension costs in the Universities Academic Pension Plan (UAPP) based on employer paid contributions. Although the total UAPP pension liability was known, there was significant measurement uncertainty with respect to each participant's share.

The Universities and the Province of Alberta have made their best estimates to allocate to each University their respective share of the unfunded deficiency as at March 31, 2009. As a result, the University has changed its accounting policy from defined contribution to defined benefit accounting.

These changes have been applied retrospectively with restatement of comparative numbers. The impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

	2008		
	As previously recorded	Adjustment recorded	As restated
Increase(decrease) in:			
Statement of Financial Position			
Employee future benefit liabilities	$ 43,399	$ 43,630	$ 87,029
Unrestricted net assets, beginning of the year	48,856	(51,960)	(3,104)
Unrestricted net assets, end of the year	51,783	(43,630)	8,153
Statement of Operations			
Benefits expense	121,268	(8,330)	112,938

(thousands of dollars)

4. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	2009	2008
Cash	$ 1,615	$ 23,306
Money market funds, short-term notes and treasury bills	118,006	54,037
	$ 119,621	$ 77,343

5. Investments

The composition and fair value of investments are as follows:

	2009			2008		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Cash, money market funds, short-term notes and treasury bills	$ 719,958	$ 4,388	$ 724,346	$ 410,401	$ 168,161	$ 578,562
Canadian government and corporate bonds	-	352,575	352,575	-	268,604	268,604
Canadian equity	-	108,309	108,309	-	181,140	181,140
Foreign equity	-	301,915	301,915	-	371,066	371,066
Pooled hedge funds	-	22,061	22,061	-	24,719	24,719
Annuities	-	92	92	-	95	95
Real estate	-	986	986	-	986	986
	$ 719,958	$ 790,326	$ 1,510,284	$ 410,401	$ 1,014,771	$ 1,425,172

Included in Canadian government and corporate bonds is asset-backed commercial paper.

As at March 31, 2009, the average effective yields and the terms to maturity are as follows:

- Money market funds, short-term notes and treasury bills: 1.73% (2008 - 4.31%); term to maturity: less than one year.
- Government and corporate bond funds: 1.40% (2008 - 3.99%) terms to maturity: range from less than one year to more than 10 years.

The University's investments are managed using two pools, the Non-Endowed Investment Pool (NEIP) with investment holdings of $883,196 (2008 - $627,677) and the Unitized Endowment Pool (UEP) with investment holdings of $627,088 (2008 - $797,495). The primary objective of the University's investment policy for the NEIP is to earn a rate of return that exceeds the DEX 91 day T-Bill return with an emphasis on liquidity and the preservation of capital. The primary objective for the UEP is to earn a long-term rate of return that, in real terms, exceeds total endowment spending at an acceptable level of risk. The UEP also includes non-endowed assets that will not be required for spending in the next five years.

Derivative financial instruments are used to manage certain market and currency exposures primarily with respect to the University's investments. The University uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain investments, and has entered into foreign currency forward contracts to minimize exchange rate fluctuations. All outstanding contracts have a remaining term to maturity of less than one year. The University has contracts outstanding held in US dollars, Euro, Japanese yen and the British pound among others. As at March 31, 2009 the fair value of net outstanding foreign currency forward contracts receivable is $505 (2008 - $6,975 payable).

The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University's Investment Committee, a subcommittee of the Board of Governors, has delegated authority for oversight of the University's investments. The Investment Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policies and to evaluate the continued appropriateness of the University's investment policies.

(thousands of dollars)

Asset-backed commercial paper

At March 31, 2009 the University holds third-party and bank-sponsored asset-backed commercial paper (ABCP) that has been restructured. These investments are categorized as follows:

- "Third-party ABCP" that has been restructured under the restructuring agreement of the Pan-Canadian Investors Committee;
- "Other ABCP" that has been restructured directly with the sponsors of the affected ABCP (Sitka/Apex Trust and Superior Trust), or whose restructuring has failed (Devonshire Trust).

The Canadian market for ABCP suffered a liquidity disruption in mid-August 2007 when many of these investments did not settle on maturity. At the dates the University acquired these investments they were rated R1 (High) by Dominion Bond Rating Service (DBRS), the highest credit rating issued for commercial paper, as required by the University's investment policy.

Based on the valuation analysis, a write-down in ABCP investments of $31,114 (2008 - $41,000) has been recorded as a reduction to the investment income resulting in an estimated fair value of $93,099 (2008 - $128,729). The University has incurred $447 for restructuring costs all of which were recovered at March 31, 2009.

	Original cost	Disposal 2009	Write-down 2008	Write-down 2009	Write-down total	Write-down percent
Traditional assets	$ 17,640	$ -	$ 81	$ 1,362	$ 1,443	8.18%
Synthetic assets	120,176	(2,413)	25,524	25,071	50,595	42.10%
Ineligible assets	21,150	-	14,279	2,607	16,886	79.84%
Sub-total	158,966	(2,413)	39,884	29,040	68,924	43.36%
Other ABCP	10,763	(2,103)	1,116	2,074	3,190	29.64%
Total	$ 169,729	$ (4,516)	$ 41,000	$ 31,114	$ 72,114	42.49%

During the year, the University exchanged $2,103 of ABCP for cash as part of the restructuring process and $957 in assets was reclassified from traditional and synthetic to ineligible. Certain trades subject to the Montreal Accord were unwound in April 2008 resulting in a total loss of capital to note holders. The University's exposure to these trades was $2,413.

Impact on operations

The liquidity crisis in the Canadian market for ABCP has had no significant impact on the University's liquidity or cash needs. The University holds or has access to sufficient available cash and highly liquid investments to meet all of its obligations. The University's Unitized Endowment Pool (UEP) investments had no exposure to ABCP investments.

Restructuring agreement

Third-party ABCP (restructured under the Montreal Accord):

On January 16, 2009 a restructuring agreement came into effect with new notes issued January 21, 2009. The restructuring agreement converted the ABCP notes into long-term floating rate notes with maturities corresponding to those of the underlying assets. Interest is paid quarterly. The Pan-Canadian Investors Committee oversaw the orderly restructuring of these notes; the University was a member of this Committee and actively supported the restructuring process.

Other ABCP:

Other ABCP not covered by the Montreal Accord include Devonshire Trust (third-party), Sitka/Apex Trust (bank-sponsored) and Superior Trust (bank-sponsored). The Sitka/Apex Trust and Superior Trust notes were successfully restructured directly with the sponsor. In general, the restructuring plans are similar to the Montreal Accord in that the ABCP notes were restructured into long-term floating rate notes to match the maturity date of the underlying assets. Interest is paid monthly. Devonshire Trust ABCP failed to restructure and the asset provider bank began legal proceedings on January 13, 2009 to recover the collateral posted by the trust. Devonshire Trust is defending this action.

(thousands of dollars)

While the University expects to receive interest payments on all restructured notes, there is some uncertainty as the payments are contingent upon the income generation of the underlying assets in the various trusts and in some cases subject to a subordinated note structure and payment priority schedule. It is the University's intention to hold these notes to maturity.

Restructured notes

Note type	Face value	Estimated fair value	Yield	Scheduled repayment	Maturity	Percent of notes held	DBRS rating
Traditional assets:							
TA tracking notes	$ 16,076	$ 14,995	(1)	5 – 7 years	13 – 27 years	10%	AAA/ AA+
TA tracking notes	1,564	1,202	(1)	5 – 7 years	13 – 27 years	1%	unrated
Total TA tracking notes	17,640	16,197				11%	
Synthetic assets:							
MAV2 Class A-1	57,176	33,981	(2)	January 22, 2017	July 15, 2056	35%	A
MAV2 Class A-2	48,289	27,853	(2)	January 22, 2017	July 15, 2056	29%	A
MAV2 Class B	8,765	3,979	(3)	January 22, 2017	July 15, 2056	5%	Unrated
MAV2 Class C	3,533	1,355	(4)	January 22, 2017	July 15, 2056	2%	Unrated
Total synthetic	117,763	67,168				71%	
IA tracking notes	21,150	4,263	(5)	4 – 31 years	4 – 31 years	13%	Unrated
Other ABCP	8,660	5,470	(6)	5 – 8 years	5 – 8 years	5%	Unrated
Total	$ 165,213	$ 93,098				100%	

(1) No stated amount. Interest paid will be based on income generated by underlying assets. Anticipated yield is Banker's Acceptance (BA) plus 0.40%.
(2) BA minus 0.50%.
(3) BA minus 0 .50% at maturity if funds are available at that time.
(4) Stated yield is up to a maximum of BA plus 20% at maturity if funds are available at that time.
(5) No stated amount, interest paid will be based on income generated by underlying assets.
(6) Stated yield ranges from BA to Canadian Deposit Offering Rate plus 0.33%.

Third-party ABCP (restructured under the Montreal Accord):
The restructuring process of the Montreal Accord varied depending on the type of asset securitized by the various ABCP notes:

- Traditional assets (TA) represent primarily trade receivables, credit card receivables, personal lines of credit, auto and equipment loans, residential and commercial mortgage backed securities. These have been restructured as TA tracking notes.
- Synthetic assets represent collateralized debt obligations and traditional assets. Under the restructuring the University selected Master Asset Vehicle 2 notes (MAV2) which rely on a third-party margin funding facility. Pooled synthetic notes are divided into senior and subordinated notes, the majority of which are ranked senior.
- Ineligible assets (IA) represent primarily assets with exposure to the US sub-prime real estate market or unlevered collateralized debt obligations involving asset providers that were unable to participate in Master Asset Vehicles. These have been restructured as IA tracking notes.

Other ABCP:
The underlying assets in the other ABCP trusts are represented by either exclusively collateralized debt obligations or a combination of collateralized debt obligations and traditional assets.

Valuation
Third-party ABCP (restructured under the Montreal Accord):
In the continued absence of an active market for third-party ABCP subject to the Montreal Accord, the University has estimated the fair value of these investments as at March 31, 2009 using a discounted cash flow valuation

(thousands of dollars)

model. This model incorporates administration's best estimates of multiple factors, updated to reflect market-related and other additional information.

The valuation also involves assumptions regarding the difference between the yield the University expects to earn from the restructured floating rate notes and the appropriate market-discount attributable to such investments. The estimated investment yields were determined based on available information. The estimated market-discount rates from the floating rate notes were determined by reference to market rates for other investments and appropriate forward-credit indices. They were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the restructured floating rate notes together with the leveraged nature of the underlying assets and were adjusted for subordination where appropriate. The shortfall between the expected yield and the estimated discount rate ranges from 562 basis points for the Class A-1 notes and 862 basis points for Class C Notes. An increase of 100 basis points in the estimated discount rate would decrease the fair value by approximately $9,000.

Other ABCP:
In the absence of an active market for these investments, the University has estimated their fair value as at March 31, 2009, using a discounted cash flow valuation model similar to the approach used for the third-party notes.

Measurement uncertainty
Since the eventual timing and amount of future cash flows attributable to these assets may vary significantly from administration's current best estimates, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to the financial results.

Investment loss

	2009	2008
Loss on investments held for endowment:	$ (140,959)	$ (46,503)
Income on other investments	3,230	36,593
Asset-backed commercial paper write-down (note 4)	(31,114)	(41,000)
	(168,843)	(50,910)
Amounts deferred	(14,418)	-
Loss charged to endowment net assets (note 11)	140,959	42,954
Total investment loss	$ (42,302)	$ (7,956)

(thousands of dollars)

6. Capital assets and collections

	2009			2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings and utilities	$ 2,094,047	$ 702,133	$ 1,391,914	$ 1,836,773	$ 659,281	$ 1,177,492
Equipment and furnishings	918,945	585,497	333,448	843,859	537,456	306,403
Learning resources	258,252	162,691	95,561	240,082	143,676	96,406
Capital assets subject to amortization	3,271,244	1,450,321	1,820,923	2,920,714	1,340,413	1,580,301
Land	53,296	-	53,296	43,848	-	43,848
	3,324,540	$ 1,450,321	1,874,219	2,964,562	$ 1,340,413	1,624,149
Library permanent collections	34,650		34,650	32,684		32,684
Other permanent collections	61,897		61,897	61,645		61,645
Capital assets and collections	$ 3,421,087		$ 1,970,766	$ 3,058,891		$ 1,718,478

Included in buildings and utilities is $308,316 (2008 - $122,049) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year included in-kind contributions (such as learning resources, equipment, software, buildings and land) in the amount of $38,417 (2008 - $45,270).

The University has recorded a liability for an asset retirement obligation of $1,064 (2008 - $1,004). The asset retirement obligation represents the legal obligation associated with the eventual decommissioning of a research reactor.

(thousands of dollars)

7. Employee future benefit liabilities

Employee future benefit liabilities are comprised of the following:

	2009			Restated (Note 3) 2008		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total
Vacation pay	$ 7,100	$ 18,600	$ 25,700	$ 6,600	$ 18,400	$ 25,000
UAPP	54,090	-	54,090	43,630	-	43,630
Long-term disability	7,260	20,920	28,180	8,003	21,344	29,347
Early retirement	835	22,028	22,863	1,193	20,845	22,038
Total	69,285	61,548	130,833	59,426	60,589	120,015
Less current portion	9,728	24,171	33,899	9,824	23,162	32,986
Long-term portion	$ 59,557	$ 37,377	$ 96,934	$ 49,602	$ 37,427	$ 87,029

Pension

The UAPP is a multi-employer contributory joint defined benefit pension plan for academic staff members. At December 31, 2008, the UAPP reported an actuarial deficiency of $1,055,471 (2007 - $535,843) consisting of a pre-1992 deficiency ($752,437) and a post-1991 deficiency ($303,034). An actuarial valuation of the UAPP was carried out as at December 31, 2006 and was then extrapolated to December 31, 2008. A further extrapolation to March 31, 2009 has resulted in an increase to the UAPP deficiency to $1,299,860 (pre-1992 deficiency ($857,110) and a post-1991 deficiency ($442,750)).

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2008, the PSPP reported an actuarial deficiency of $1,187,538 (2007 - $92,509 deficiency). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2008. The pension expense recorded in these financial statements is $15,861 (2008 - $14,672).

Long-term disability and early retirement

The University's long-term disability (academic and support staff) and early retirement (support staff) future benefits are defined benefit plans that provide post-employment benefits to its employees.

The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date.

The early retirement benefits for support staff include bridge benefits and a retirement allowance. Bridge benefits allows eligible employees who retire early, to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. Benefits include group life insurance, employee family assistance program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees one week's base pay per full year of employment to a maximum 25 days pay. The early retirement benefit for academic staff was for bridge benefits and was terminated in 2004. Participants already receiving these benefits, when the benefit was terminated, will continue to receive bridge benefits under the original terms.

(thousands of dollars)

The most recent actuarial valuation was as at March 31, 2009 for these future benefit liabilities:

	2009			2008		
	UAPP	Long-term disability	Early retirement	UAPP	Long-term disability	Early retirement
Accrued benefit obligation:						
Balance, beginning of year	$ 594,790	$ 21,776	$ 24,888	$ 428,480	$ 17,943	$ 26,505
Current service cost	27,600	4,144	1,278	25,240	5,855	1,341
Interest cost	40,780	1,174	1,261	29,990	997	1,238
Benefits paid	(27,330)	(4,888)	(1,884)	(18,790)	(4,264)	(1,875)
Actuarial (gain) loss	31,670	(1,272)	(2,469)	129,870	1,245	(2,321)
Balance, end of year	667,510	20,934	23,074	594,790	21,776	24,888
Plan assets [1]	(417,440)	-	-	(481,980)	-	-
Funded status - plan deficit	250,070	20,934	23,074	112,810	21,776	24,888
Unamortized net actuarial gain (loss)	(195,980)	7,246	(211)	(69,180)	7,571	(2,850)
Accrued benefit liability	$ 54,090	$ 28,180	$ 22,863	$ 43,630	$ 29,347	$ 22,038

(1) Plan assets:
UAPP - the unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2007 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 1.74% (2007 - 2.28%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2006 of the Province of Alberta's obligation for the future additional contributions was $213,900. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 1.08% (2007 - 2.64%) of salaries shared equally between employees and employers until December 31, 2021.
Long-term disability and early retirement - the University plans to use its working capital to finance the future obligations.

The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2009			2008		
	UAPP	Long-term disability	Early retirement	UAPP	Long-term disability	Early retirement
Accrued benefit obligation:						
Discount rate	6.70%	6.25%	6.25%	6.70%	5.00%	5.00%
Long-term average compensation increase	3.00%	n/a	3.00%	3.00%	n/a	3.00%
Benefit cost:						
Discount rate	6.70%	5.00%	5.00%	6.75%	4.60%	4.60%
Long-term average compensation increase	3.00%	n/a	3.00%	3.00%	n/a	3.00%
Alberta inflation (year 1, thereafter; years 1-2, thereafter)	3.70%, 2.70%	3.00%	3.00%	3.70%, 2.70%	3.00%	3.00%
Estimated average remaining service life	10.5	5	12	10.5	5	12

(thousands of dollars)

8. Long-term obligations

	Collateral	Maturity date	Interest rate %	Amount outstanding 2009	2008
Mortgages payable to Canada Mortgage and Housing Corporation:					
Lister Residences	(1)	July 2014	5.125	$ 828	$ 970
Michener Park Phase I	(1)	April 2018	5.875	1,948	2,107
MacKenzie Hall	(1)	November 2018	6.250	1,064	1,141
Debenture payable to Alberta Finance:					
Housing Union Building	(3)	June 2008	3.285	-	104
Debentures payable to Alberta Capital Finance Authority:					
Health Research Innovation Facility	(3)	June 2011	5.030	1,000	1,000
Enterprise Square	(1)	October 2011	4.162	3,747	4,897
Natural Resources Engineering Facility	(2)	June 2014	4.974	9,760	11,268
Energy Management Program, Year 1	(3)	September 2014	4.551	2,118	2,449
Energy Management Program, Year 2	(3)	March 2016	4.525	2,926	3,274
Natural Resources Engineering Facility	(2)	June 2017	5.056	7,039	7,688
Health Research Innovation Facility	(3)	June 2017	5.053	14,342	15,664
Extension Centre	(3)	October 2017	8.750	1,928	2,066
Energy Management Program, Year 3	(3)	December 2017	4.493	3,216	3,500
Energy Management Program, Year 4	(3)	March 2019	3.718	3,500	-
Steam Turbine Generator	(2)	May 2020	6.250	12,472	13,158
Newton Place	(1)	August 2024	6.000	12,629	13,093
Newton Place Renovation	(1)	August 2024	6.000	2,184	2,264
Lister Residence II	(1)	November 2027	5.875	18,889	19,425
Windsor Car Park	(2)	September 2028	6.000	6,191	6,350
Saville Centre	(2)	December 2028	5.875	4,075	4,181
East Campus Village	(1)	March 2029	4.960	8,403	8,644
Centennial Centre for Interdisciplinary Science Phase I	(3)	September 2029	5.353	9,023	9,211
Centennial Centre for Interdisciplinary Science Phase I	(3)	June 2030	4.518	1,982	2,085
Health Research Innovation Facility	(3)	June 2032	5.191	5,525	5,643
Killam Centre	(3)	September 2036	4.810	2,005	2,039
Enterprise Square	(1)	September 2036	4.627	41,267	42,000
Jubilee Carpark	(2)	December 2047	4.814	16,000	9,500
Bank loans payable:					
East Campus Housing	(3)	September 2008	4.440	-	146
				194,061	193,867
Obligations under capital leases				210	263
Other long-term obligations (includes asset retirements and liabilities for site restoration)				10,064	1,004
				204,335	195,134
Less current portion				10,483	9,799
				$ 193,852	$ 185,335

(1) title to land, building; (2) cash flows from facility; (3) none

The principal portion of long-term debt repayments required over the next five years is as follows:
2010 - $10,483; 2011 - $11,023; 2012 - $12,590; 2013 - $10,832; 2014 - $11,405
Interest expense on long-term obligations is $10,604 (2008 - $10,068).
All long-term obligations have fixed interest rates. The weighted average interest rate is 5.209% (2008 - 5.244%).

(thousands of dollars)

9. Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2009		2008	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 290,074	$ 370,801	$ 10,501	$ 331,766
Grants and donations received	418,882	480,484	441,304	524,355
Recognized as revenue	-	(424,180)	-	(452,393)
Transferred to unamortized deferred capital contributions (note 10)	(213,324)	(67,641)	(161,731)	(32,927)
Balance, end of the year	495,632	359,444	290,074	370,801
Less amounts included in current liabilities	-	269,444	-	280,801
	$ 495,632	$ 90,000	$ 290,074	$ 90,000

Included in "research and other" category are grants and donations of $67,641 (2008 - $32,927) used for capital acquisitions.

10. Unamortized deferred capital contributions

Unamortized deferred capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2009	2008
Balance, beginning of the year	$ 1,121,647	$ 982,131
Additions from deferred contributions (note 9)	280,965	194,658
Long-term obligations - repayment	2,625	1,829
Amortization to revenue	(75,514)	(56,971)
Balance, end of the year	$ 1,329,723	$ 1,121,647

(thousands of dollars)

11. Endowments

Endowments consist of externally restricted donations received by the University and internal allocations by the University's Board of Governors; the principal of which is required to be maintained intact in perpetuity.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

	2009	2008
Balance, beginning of year	$ 734,191	$ 751,478
Gifts of endowment principal	39,156	52,468
Transfer to endowments	7,943	193
Transfer from endowments	(37,917)	(28,002)
Investment loss	(140,959)	(42,954)
Adopton of new financial instruments accounting standard	-	1,008
Balance, end of year	$ 602,414	$ 734,191
Cumulative contributions	$ 495,663	$ 448,705
Cumulative capitalized income	106,751	285,486
	$ 602,414	$ 734,191

During the 2009 year, cumulative capitalized income of $178,735 (2008 - $70,151) was required to cover the investment loss on endowments of $140,959 (2008 - $42,954), the approved endowment spending allocation of $31,389 (2008 - $27,197) and the transfer of $6,387 (2008 - nil) to unrestricted net assets to repay the 2008 spending allocation and investment loss on the internally restricted endowments.

The Board of Governors approved the permanent endowment of the Endowment Fund for the Future and the Central Research Endowment and transferred $55,144 (2008 - nil) from internally restricted endowments to permanent endowments. The Board of Governors also approved to permanently endow other unrestricted funds and transferred $7,943 (2008 - $193) from unrestricted net assets to endowments. Per the terms and conditions of specific endowments, $141 was decapitalized for spending purposes (2008 - $805).

Gifts of endowment principal include a $5,000 matching grant from the Province of Alberta's Access to the Future Fund. In 2008 the University received a $5,000 matching grant; however under the previous program guidelines these funds were recorded in deferred contributions and then capitalized to endowments. In 2008 cumulative contributions includes a grant of $12,789 from the Province of Alberta for the China Institute Endowment.

(thousands of dollars)

12. Investment in capital assets and collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2009	2008
Capital assets and collections at net book value (note 6)	$ 1,970,766	$ 1,718,478
Less amounts financed by:		
Unamortized deferred capital contributions (note 10)	(1,329,723)	(1,121,647)
Long-term obligations related to capital expenditures	(191,020)	(189,163)
Investment in capital assets and collections, end of year	$ 450,023	$ 407,668

	2009	2008
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	$ 407,668	$ 410,418
Acquisition of capital assets and collections	86,037	37,706
Long-term obligations - repayment	7,445	6,858
Long-term obligations - new financing	(12,586)	(23,446)
Net book value of asset disposals	(736)	(636)
Amortization of investment in capital assets	(49,084)	(45,911)
Net investment in capital assets	31,076	(25,429)
Contributions of assets not subject to amortization	11,279	22,679
Increase (decrease) for the year	42,355	(2,750)
Investment in capital assets and collections, end of year	$ 450,023	$ 407,668

13. Contingent liabilities and commitments

(a) The University is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.

(b) Academic staff members are entitled to a professional expense allowance, enabling them to incur expenditures for their teaching, research, professional, or general University duties. At March 31, 2009 approximately $10,714 (2008 - $9,272) of such allowances is committed for expenditures not yet incurred.

(c) The University is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2008 CURIE had a surplus of $17,748 (2007 - $16,825). This surplus is an accumulation of five different underwriting periods. The University participates in four of the underwriting periods, which have an accumulated surplus of $13,771 (2007 - $13,737) of which the University's pro rata share is approximately 6.66% (2007 – 6.69%). This surplus is not recorded in the financial statements.

(thousands of dollars)

(d) At March 31, 2009 the University has contractual commitments for capital projects greater than $1 million of approximately $629,000 (2008 – approximately $637,000).

(e) On March 31, 2005 the University renewed their five year agreement for information technology support with an external party. The cost of $7,592 over the remaining 15 months provides for manager application support services.

(f) In order to manage its exposure to the volatility in the electrical industry, the University has entered into contracts to fix a portion of its electrical cost at an average of $67.10 (2008 - $71.72) per megawatt hour. The four (2008 – three) contracts totaling $120,101 (2008 - $122,167) expire on December (2010, 2012, 2013, 2016).

(g) The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.

(h) The University has invested in a partnership agreement with iNovia Investment Fund II-B, Limited Partnership, which invests in the sectors of technology, energy, life sciences and applied sciences. The partnership will continue until April 17, 2017, extendable for up to three additional years. The University subscribed to five million partnership units at a price of $1.00 per unit of which the University has purchased one million units. The remaining commitment of $4,000 (2008 - $4,500) is due at such times and in such amounts as the General Partner may determine.

14. Budget comparison

The University's 2008-09 budget was approved by the Board of Governors on March 28, 2008.

	Actual	Budget (unaudited)	Variance
Revenue:			
Government	$ 855,736	$ 768,731	$ 87,005
Credit course tuition and related fees	205,243	186,618	18,625
Sales of services and products	217,506	191,887	25,619
Grants, donations and investment income (loss)	65,913	141,150	(75,237)
	1,344,398	1,288,386	56,012
Amortization of deferred capital contributions	75,514	56,380	19,134
	1,419,912	1,344,766	75,146
Expense:			
Salaries	725,191	676,121	49,070
Employee benefits	137,285	123,926	13,359
Materials, supplies, services and other expenses	500,424	436,854	63,570
Amortization of capital assets	124,598	106,139	18,459
	1,487,498	1,343,040	144,458
Excess (deficiency) of revenue over expense	$ (67,586)	$ 1,726	$ (69,312)

(thousands of dollars)

15. Related party transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	2009	2008
Advanced Education and Technology:		
Operating grant	$ 484,774	$ 442,168
Enrolment planning envelope grants	53,865	38,127
Performance envelope award	-	3,266
Capital grants	396,430	412,301
Research grants	25,819	28,828
Access to the future fund (matching grants)	-	5,000
Other	16,117	14,899
Total Advanced Education and Technology	977,005	944,589
Other provincial departments and agencies grants:		
Alberta Health and Wellness	49,468	40,454
Alberta Heritage Foundation for Medical Research	31,636	28,322
Alberta Ingenuity Fund	20,556	16,035
Infrastructure and Transportation	9,659	4,053
Alberta Health Services	6,275	18,534
Other	19,967	22,089
Total other provincial departments and agencies	137,561	129,487
Total contributions received	1,114,566	1,074,076
Less: deferred contributions	(433,477)	(449,829)
Revenue from provincial government	$ 681,089	$ 624,247

The Province of Alberta has provided $5,000 (2008 - $12,789) in matching grants for externally restricted endowment contributions during the year, which is included in endowment net assets. Alberta Health Services has provided nil (2008 - $3,000) in grants for externally restricted endowment contributions, which is included in endowment net assets.

The University of Alberta has receivables from the Province of Alberta of $31,869 (2008 - $88,853) and payables to the Province of Alberta of $12,561 (2008 - $1,368).

These transactions are measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

The University has long-term obligations with Alberta Finance and Alberta Capital Finance Authority as described in note 8 (Long-term obligations).

(thousands of dollars)

16. Salary and employee benefits

A Treasury Board Directive under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2009				2008
	Base salary [1]	Other cash benefits [2]	Other non-cash benefits [3][6]	Total	Total
Governance [4]					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	457	-	373	830 [3a]	627
Vice-Presidents:					
Provost and Vice-President Academic	384	56	179	619	618
Vice-President Research [5]	412	-	186	598	507
Vice-President Finance and Administration	390	-	153	543	684 [3a]
Vice-President External Relations	336	-	121	457	428
Vice-President Facilities and Operations	390	-	175	565	668 [3a]

(1) Base salary includes pensionable base pay.
(2) Other cash benefits include administrative honorarium.
(3) Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee family assistance program, critical illness, supplementary health care, short and long-term disability plans, dental plan, supplemental pension plans (per footnote [6]), accidental disability and dismemberment. Benefits for some of the executive also include professional leave, car allowance and memberships. In recognition that the University uses the President's home for various University functions, the University pays for certain costs for the general operation of her home determined in accordance with a contractual arrangement entered into by the President and the University. Included in non-cash benefits is the President's taxable benefit portion (46%) of these costs.
(3a) In 2009, the President became eligible for a professional leave; included in non-cash benefits is the equivalent of an additional six months salary. In 2008, certain individuals became eligible for an additional six month professional leave; included is an additional six months salary for Vice-President Finance and Administration and Vice-President Facilities Operations.
(4) The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.
(5) Two individuals held this position in 2008.
(6) Under the terms of the supplementary retirement plan (SRP), the executive may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. The SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the current year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

	2009			2008
	Current service cost	Prior service and other costs	Total	Total
Executive				
President	$ 99	$ 21	$ 120	$ 112
Vice-Presidents:				
Provost and Vice-President Academic	106	33	139	136
Vice-President Research	76	7	83	70
Vice-President Finance and Administration	68	18	86	82
Vice-President External Relations	56	9	65	59
Vice-President Facilities and Operations	71	19	90	85

(thousands of dollars)

The accrued obligation of each executive under the SRP is outlined in the following table:

	Accrued obligation March 31, 2008	Changes in accrued obligation	**Accrued obligation March 31, 2009**
Executive			
President	$ 273	$ (10)	**$ 263**
Vice-Presidents:			
Provost and Vice-President Academic	503	(30)	**473**
Vice-President Research	57	58	**115**
Vice-President Finance and Administration	257	39	**296**
Vice-President External Relations	98	51	**149**
Vice-President Facilities and Operations	267	38	**305**
The significant actuarial assumptions used to measure the accrued benefit obligation are:			
Discount rate	5.50%		**7.40%**
Long-term average compensation increase	3.00%		**3.00%**

17. **Comparative figures**

Certain 2008 figures have been reclassified to conform to the presentation adopted in the 2009 financial statements.

UNIVERSITY OF CALGARY

Financial Statements

For the year ended March 31, 2008

Auditor's Report

Financial Statements:

- Consolidated Statement of Financial Position
- Consolidated Statement of Revenue and Expense
- Consolidated Statement of Changes in Net Assets
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements

AUDITOR GENERAL
Alberta

Auditor's Report

To the Board of Governors of the University of Calgary

I have audited the consolidated statement of financial position of the University of Calgary as at March 31, 2009 and the consolidated statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
June 17, 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2009
(thousands of dollars)

UNIVERSITY OF CALGARY

		2009		2008 (restated, note 21)
CURRENT ASSETS				
Cash and cash equivalents (note 3)	$	459,468	$	264,075
Investments (note 3)		119,467		95,474
Accounts receivable		64,109		98,058
Inventories, prepaid expenses and advances		17,607		12,216
		660,651		469,823
LONG-TERM INVESTMENTS (note 4)		355,962		458,171
OTHER LONG-TERM ASSETS (note 5)		19,356		21,372
CAPITAL ASSETS AND COLLECTIONS (note 6)		970,734		833,950
		2,006,703		1,783,316
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities		90,613		72,234
Deferred revenue		19,192		21,258
Deferred contributions, research and other (note 8)		327,247		288,750
Current portion of long-term liabilities (note 10)		22,124		5,249
		459,176		387,491
DEFERRED CAPITAL CONTRIBUTIONS (note 8)		185,457		120,656
LONG-TERM LIABILITIES (note 10)		48,788		35,108
EMPLOYEE FUTURE BENEFITS (note 11)		43,720		33,976
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (note 9)		708,289		587,382
NET ASSETS				
Restricted for endowment purposes (note 12)		340,552		426,030
Investment in capital assets and collections (note 13)		202,435		211,664
Internally restricted (note 14)		77,654		26,264
Unrestricted		(59,368)		(45,255)
		561,273		618,703
	$	2,006,703	$	1,783,316

Commitments and contingencies (note 19)

Signed on behalf of the Board of Governors:

J. Senator
Board Chair

Gail Stephens
Vice-President (Finance & Services)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2009
(thousands of dollars)

UNIVERSITY OF CALGARY

		2009		2008 (restated, note 21)
REVENUE				
Government of Alberta grants (note 20)	$	457,276	$	405,812
Other government grants		108,271		88,461
Donations and other grants		83,099		75,878
Credit tuition and related fees		139,751		123,360
Non-credit tuition and related fees		17,415		15,608
Sales of services and products		93,081		82,090
Amortization of deferred capital contributions (note 9)		51,750		48,951
Investment income (note 15)		7,062		14,118
		957,705		854,278
EXPENSE				
Salaries		482,375		449,962
Benefits		87,691		66,337
Materials, supplies and services		153,306		141,127
Amortization of capital assets		80,975		80,142
Utilities		32,039		27,707
Scholarships, grants and awards		55,595		45,073
Travel		26,722		24,559
Cost of goods sold		15,833		15,541
Maintenance and repairs		14,053		13,565
Financing		1,374		1,433
		949,963		865,446
EXCESS OF REVENUE OVER EXPENSE BEFORE THE FOLLOWING		7,742		(11,168)
Write-down of Investment in Asset backed commercial paper (note 4 &15)		(11,933)		(16,822)
DEFICIENCY OF REVENUE OVER EXPENSE (note 17)	$	(4,191)	$	(27,990)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2009
(thousands of dollars)

UNIVERSITY OF CALGARY

	Endowments	Investment in Capital Assets	Internally Restricted	Unrestricted
NET ASSETS, March 31, 2007 (restated, note 21)	$ 437,175	$ 214,190	$ 26,327	$ (40,016)
Adoption of new financial instruments accounting policy	(717)	897	-	(897)
Deficiency of revenue over expense – restated	-	-	-	(27,990)
Investment loss (note 12)	(18,864)	-	-	3,395
Endowment Contributions (note 12)	24,273	-	-	397
Transfers	(15,837)	-	2,542	13,295
Net Investment in Capital Assets (note 13)	-	(3,957)	(849)	4,805
Contribution of assets not subject to amortization (note 13)	-	534	-	-
Expenditure of internally restricted net assets	-	-	(1,756)	1,756
NET ASSETS, March 31, 2008	426,030	211,664	26,264	(45,255)
Deficiency of revenue over expense	-	-	-	(4,191)
Investment loss (note 12)	(87,167)	-	-	12,873
Endowment Contributions (note 12)	20,910	-	-	-
Transfers	(19,221)	-	52,566	(33,345)
Net Investment in Capital Assets (note 13)	-	(9,373)	(88)	9,462
Contribution of assets not subject to amortization (note 13)	-	144	-	-
Expenditure of internally restricted net assets	-	-	(1,088)	1,088
NET ASSETS, March 31, 2009	$ 340,552	$ 202,435	$ 77,654	$ (59,368)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2009
(thousands of dollars)

UNIVERSITY OF CALGARY

	2009	2008 (restated, note 21)
CASH PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenue over expense	$ (4,191)	$ (27,990)
Items not affecting cash flow:		
Amortization of capital assets	80,975	80,142
Amortization of deferred capital contributions	(51,750)	(48,951)
Employee benefit liabilities	9,744	(5,924)
Unrealized loss on non-endowed & internally endowed investments	25,940	22,653
Net change in non-cash working capital*	59,375	58,611
	120,093	78,541
INVESTING ACTIVITIES		
Purchase of capital assets, net of disposal proceeds	(217,653)	(163,868)
Decrease in other long-term assets	2,016	10,970
Purchase of long-term investments, net	(4,948)	(123,091)
Endowment investment earnings	6,985	13,093
	(213,600)	(262,896)
FINANCING ACTIVITIES		
Endowment contributions	20,887	23,952
Capital contributions	237,458	185,656
Increase in long-term liabilities	30,555	11,137
	288,900	220,745
INCREASE IN CASH AND CASH EQUIVALENTS	195,393	36,390
CASH AND CASH EQUIVALENTS, beginning of year	264,075	227,685
CASH AND CASH EQUIVALENTS, end of year	$ 459,468	$ 264,075

***Net change in non-cash working capital:**	2009	2008 (restated, note 21)
(Increase) Decrease in Investments	$ (23,993)	$ 12,301
Decrease in Accounts receivable	33,949	493
Increase in Inventories and prepaid expenses	(5,391)	(2,826)
Increase in Accounts payable	18,379	2,954
(Decrease) Increase in Deferred revenue	(2,066)	5,379
Increase in Deferred contributions, research and other	38,497	40,310
	$ 59,375	$ 58,611

The accompanying notes are part of these consolidated financial statements.

Note 1 Authority and Purpose

The University of Calgary ("the University") is a provincial corporation that operates under *The Post-Secondary Learning Act*. All members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Ministry of Advanced Education and Technology. The University is a comprehensive research University offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. As a registered charity, and under Section 149 of the *Income Tax Act*, the University is exempt from the payment of income tax. The tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Consolidated Financial Statements

The financial statements are prepared on a consolidated basis and include:

- the combined results of University Technologies Group consisting of:
    - University Technologies International Inc. (UTI),
    - University Technologies International Limited Partnership (UTI LP), a limited partnership held in trust by the University,
    - UTI LP's wholly owned subsidiaries,
- the accounts of The Arctic Institute of North America (AINA), a non-profit organization controlled by the University.

UTI LP operates to facilitate the transfer of intellectual property from the University to private business. AINA operates under the authority of the Act of the *Federal Parliament (9-10 George VI, Chapter 45)* to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

(c) Revenue Recognition

The financial statements record the following items as revenue – at the following times:

- Operating grants – when received or receivable, or, where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.
- Unrestricted contributions - when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned.
- Tuition fees – when the instruction is delivered.
- Revenues received for sales of services and products - when the services are substantially provided or the products are delivered.
- Donations of materials and services – recorded at fair value when a fair value can be reasonably determined and when materials and services would otherwise have been purchased.
- Pledges - when collected.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

- Restricted contributions and grants - based on the deferral method as summarized below:

  Restricted contributions – deferral method

  Contributions, including investment income on the contributions, that are restricted for purposes other than endowment or the acquisition of capital assets, are deferred and recognized as revenue when the conditions of the contribution are met.

  Contributions to acquire capital assets with a limited life are first recorded as deferred capital contributions when received, until the contribution is invested in capital assets. When expended, amounts representing funded capital assets (which may include construction or work in progress) are then transferred to unamortized deferred capital contributions. In the period when amortization expense is recorded for the funded capital asset, revenue recognition occurs and the unamortized deferred capital contribution is transferred to amortization of deferred capital contributions to match the related expense.

  Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and then when expended, are recognized as direct increases in capital assets and collections.

  Endowment contributions, including investment earnings, are recognized as direct increases in endowment net assets. Investment earnings are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

(d) Contributed services

Volunteers as well as members of the staff of the University contribute an indeterminate number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

(e) Investments

Investments are recorded at fair market value. They are initially recognized at acquisition cost and subsequently re-measured at fair value at each reporting date. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the balance sheet date. For securities where market quotes are not available, the University uses estimation techniques to determine fair value. Changes in market values from one period to the next are included in the investment income (loss) for the period (Note 15).

(f) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

(g) Patents

Patents are recorded at cost and include acquisition and maintenance costs. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent costs in excess of estimated future net cash flows are written off.

Patents are amortized on a straight-line basis over a 10 year estimated useful life.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(h) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair market when a fair value can be reasonably determined. Permanent collections are not amortized and include that portion of library assets with permanent value and works of art held for education and public exhibition purposes.

Buildings, plant and site improvements include construction in progress. Construction in progress includes the direct construction costs directly attributable to the construction including engineering, legal fees and interest on specific debt attributed to the construction of capital assets. The costs buildings under construction are not amortized until construction is substantially complete and the assets are ready for productive use.

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

Software development is not amortized until development is complete and the assets are ready for productive use.

Amortization is recorded on a straight-line basis over the estimated useful lives of the capital assets, as follows:

- Buildings and plant	40 years
- Site improvements	20 years
- Telecommunication equipment, furnishings and library acquisitions	10 years
- Equipment	6 years, average
- Software	3 years

(i) Employee Future Benefits

The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings.

The University does not have sufficient plan information on the PSPP required to follow the standards for defined benefit accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year; which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's respective future benefits.

The University has a number of defined benefit plans providing long-term disability, early retirement incentives and supplemental pension benefits. The early retirement plans were available to employees from 1992 to 1998. The cost of these benefits is actuarially determined using the projected benefit method prorated on service, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the terms of employee disability agreements.

With respect to the:

- employees on long-term disability, actuarial gains and losses are amortized over the average expected term of the payments.
- early retirement incentive plan, actuarial gains and losses are recognized immediately.
- supplemental pension obligation, for each plan participant, past service costs are amortized over expected average remaining service life and the balance of actuarial gains and losses in excess of 10% of the accrued benefit obligation are amortized over the expected service lifetime.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(j) Credit, Liquidity, Foreign Exchange, Commodity Price and Market Risk

Credit Risk
The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricting enrollment activities for students with delinquent balances and maintaining standard collection procedures.

Liquidity Risk
The University maintains a short term line of credit with the Royal Bank that is designed to ensure sufficient available funds to meet current and forecasted financial requirements as cost effectively as possible. As at March 31, 2009 the University had available borrowing facilities of $10,000,000 (2008 - $10,000,000), none of which had been drawn.

Foreign Exchange Risk
The University has entered into a contract with the Qatari government to operate a campus in Qatar. Foreign exchange risk has been mitigated through negotiating payment of University management fees in Canadian dollars. All expenses incurred are recovered from the government of Qatar and claims are adjusted to reflect currency fluctuations, thus eliminating exchange risk exposure to the University.

Commodity Price Risk
The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into fixed price electricity and natural gas contracts.

Market Risk
The market risk is the risk to the University's earnings that arise from the fluctuations and degree of volatility in the market value of its long-term investments. Market risk consists of price risk, foreign currency risk and interest rate risk with respect to the University's investment portfolio. To manage market risk, the University has established a target mix of investment types designed to achieve the optimal returns with reasonable risk tolerances.

(k) Financial Instruments
The University has adopted the provisions of Canadian Institute of Chartered Accountants handbook section 3855 "Financial Instruments, Recognition and Measurement" and section 3861 "Financial Instruments – Disclosure and Presentation".

These standards required the University to revalue certain financial assets and liabilities, including derivatives, at fair value on the initial date of implementation and at each subsequent report date. As permitted in the handbook, the University has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

The standards also require the University to classify financial assets and liabilities. The classifications are as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for Trading	Fair Value
Investments	Held for Trading	Fair Value
Accounts receivable	Loans and Receivables	Cost
Other Long-term assets	Loans and Receivables	Amortized cost
Accounts payable	Other liabilities	Cost
Long-term liabilities	Other liabilities	Amortized cost

The University's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred.

(thousands of dollars)

Note 3 Cash and Cash Equivalents and Investments

	Cash & Cash Equivalents	Current Investments	2009 Total	2008 Total
Money market investments [1]	$ 467,459	$ -	$ 467,459	$ 271,304
Floating rate notes (ABCP) [1]	-	9,809	9,809	-
Bank Balances [2]	(7,991)	-	(7,991)	(7,229)
Bonds [3]	-	77,805	77,805	65,031
Shares	-	974	974	861
Mortgage Fund	-	30,879	30,879	29,582
Balance, end of year	459,468	119,467	578,935	359,549
Total, 2008	$ 264,075	$ 95,474	$ 359,549	

(1) Money market investments are purchased at a discount. These investments must be rated R-1 low or better. The University of Calgary invests in externally managed money market funds with an average yield of 2.57% (2008 – 4.38%). ABCP reclassified to short term returned -1.1% (2008 – nil).

(2) The bank overdraft is a temporary condition existing at year end and represents cheques issued by the University not yet cleared by the University's bank. Subsequent to year end, the majority of these cheques were presented for payment and cleared by the bank.

(3) The effective yields on current bonds are as follows:

	2009 Effective Yield	2009 Value	2008 Effective Yield	2008 Value
Current Investments - Bond Maturity				
0-2 years to maturity	4.77%	$ 14,036	5.02%	$ 21,481
2-5 years to maturity	6.06%	30,595	5.34%	28,847
> 5 years to maturity	4.55%	33,174	5.30%	14,703
Total		$ 77,805		$ 65,031

Bonds have a maximum allowable term of eight years and stated interest ranging from 3.50% to 7.01% (2008 – 3.55% to 7.01%). All bonds have a rating of single "A" or better. Effective yield for bonds is calculated based on carrying values at year end and is disclosed on a weighted average basis using the duration method.

(thousands of dollars)

Note 4 Long-term Investments

	Annual Market Yield	2009	Annual Market Yield	2008
Money market investments		$ 738		$ 1,397
Floating rate notes (ABCP)	-29.90%	28,858	-24.90%	50,700
S&P/TSX index	-31.95%	6,747	4.11%	8,980
Bond index	4.65%	96,386	5.65%	112,050
International index	-35.15%	57,238	-14.63%	78,450
S & P 500 index	-23.80%	4,331	-15.52%	5,021
US Equities	-24.13%	55,913	4.88%	61,299
Canadian Shares	-29.20%	105,650	-18.70%	140,274
Balance, end of year		$ 355,962		$ 458,171

The University's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the University's investments. The Committee meets quarterly during the year to monitor investments and to review the performance of the Investment Managers to ensure they are in compliance with the investment objectives and policies of the University. The Committee reports quarterly to the Board of Governors.

The University employs a mix of passive and active investment management strategies for long-term investments and an active management strategy for the short-term money market portfolio and short-term bond portfolio. For the long-term endowment portfolio the Investment Committee established the asset mix at 70% equity and 30% debt. The asset class distribution is 30% Canadian Equity, 20% US Equity, 20% International Equity and 30% Canadian Universe Bonds. The University employs a strict rebalancing policy to ensure the asset mix stays within the allowable range for each class.

Asset Backed Commercial Paper (ABCP)

At March 31, 2009 the University of Calgary holds $67,646,000 in "New Restructured Notes" that were received on January 21, 2009 in exchange for the $67,522,000 asset backed commercial paper formerly held by the University. The ABCP had been restructured under the restructuring agreement of the Pan-Canadian Investors Committee (known as the Montreal Accord).

During the week of Monday, August 13, 2007 the Canadian market for third-party asset-backed commercial paper suffered a liquidity disruption. On August 16, 2007 an announcement was made by a group representing banks, asset providers and major investors that they had agreed in principal to a long-term proposal and interim agreement to convert the ABCP into long-term floating rate notes maturing no earlier than the scheduled maturing of the underlying assets. At the dates the University acquired these investments they were rated R1 (High) by Dominion bond Rating Service (DBRS), the highest credit rating issued for commercial paper, and backed by R1 (High) rated assets and liquidity agreements. The decision to invest in securities rated R1 (High, Mid or Low) complies with the University's Investment Policy. These investments were to mature during the second and third quarters of 2007-2008 but, as a result of liquidity issues in the ABCP market, did not settle on maturity. Therefore, the University has reclassified a portion of these notes as long-term assets within investments after initially classifying them as cash and cash equivalents. Refer to the table below.

(thousands of dollars)

Note 4 Long-term Investments (continued)

Based on the valuation analysis, an additional write-down of investments of $11,933,000 (2008 - $16,822,000) has occurred resulting in an estimated fair value of $38,767,000 (2008 - $50,700,000). The further write-down in 2008-2009 was necessary because of the increase in the rates of return available from corporate debt with the same ratings between March 2008 and March 2009. The current year write-down is based upon the net present value of the income expected from the new restructured notes versus the net present value of the income stream from similarly rated investment grade corporate debt.

	Original Cost	Restructured Notes Received	Write-down (gain) 2008	Write-down 2009	Total Write-down	Estimated Fair Value	Write-down from Original Cost
Traditional Assets	$ 9,919	$ 9,936	$ (64)	$ 174	$ 110	$ 9,809	1.1%
Synthetic Assets	47,750	46,602	10,339	9,810	20,149	27,601	42.2%
Ineligible Assets	9,853	11,108	6,547	1,949	8,496	1,357	86.2%
Total	$ 67,522	$ 67,646	$ 16,822	$ 11,933	$ 28,755	$ 38,767	42.6%

Short-Term Portion	$ 9,919	$ 9,936	$ (64)	$ 174	$ 110	$ 9,809	1.1%
Long-Term Portion	57,603	57,710	16,886	11,759	28,645	28,958	49.7%
Total	$ 67,522	$ 67,646	$ 16,822	$ 11,933	$ 28,755	$ 38,767	42.6%

The restructuring process of the Montreal Accord varied based on the type of asset securitized by the various ABCP notes.

- Traditional assets represent primarily trade receivables, credit card receivables, personal lines of credit, auto and equipment loans, and residential and commercial mortgage backed securities. These have been restructured as Traditional Asset (TA) tracking notes. The majority of the Traditional Asset tracking notes have received either a AAA or AA (high) credit rating from Dominion Bond Rating Services "DBRS". Subsequent to year-end, the University received the principal repayment for the TA tracking notes.

- Synthetic assets represent collateralized debt obligations and make up the majority of the assets. The restructured synthetic notes are comprised of Class A-1, Class A-2 Class B and Class C; with A-1 and A-2 receiving an A rating from DBRS while B and C are unrated. These pooled synthetic notes are divided into senior and subordinated notes, the majority of which are ranked senior and all notes with a term of maturity of approximately eight years.

- Ineligible assets represent primarily assets with exposure to the US sub-prime real estate market or unlevered collateralized debt obligations. These have been restructured as Ineligible Asset (IA) tracking notes. The University received various long-term floating rate notes with terms to maturing between five to 21 years. These have not been rated and are not expected to be rated.

(thousands of dollars)

Note 5 Other Long-term Assets

		2009		2008
Receivable from Alberta Heritage Foundation for Medical Research [1] (AHFMR)	$	5,725	$	11,456
Capital lease receivable [2]		15,014		15,244
Other long-term assets		555		6,386
Patents [3]		1,521		1,516
		22,815		34,602
Current portion in Accounts Receivable		(3,459)		(13,230)
Balance, end of year	$	19,356	$	21,372

(1) Funds to be received to cover capital costs already incurred on specific projects. The receivable from AHFMR was valued using a discount rate of 3.18% (Government of Canada bond rate at June 30, 2004, average yield, 1 – 3 years) over its repayment term, four years.

(2) The University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. The future minimum lease payments receivable for the next five fiscal years are as follows: 2010 to 2013 - $1,384,000 per year; 2014 - $1,424,000.

(3) The cost of patents is $2,741,000 (2008 - $2,623,000) and the accumulated amortization is $1,220,000 (2008 - $1,107,000). During the year patents with a net book value of $320,000 were written off (2008 - $227,000).

Note 6 Capital Assets and Collections

				2009				2008
	Cost		Accumulated Amortization	Net	Cost		Accumulated Amortization	Net
Buildings, plant and site improvements	$ 973,446	$	497,209	$ 476,237	$ 920,000	$	465,144	$ 454,856
Construction in progress [1]	313,770		-	313,770	186,144		-	186,144
Furnishings, equipment and systems [2]	475,733		369,160	106,573	458,285		341,681	116,604
Library books	165,347		122,599	42,748	158,709		118,593	40,116
Software	61,835		56,904	4,931	59,846		49,537	10,3[illegible]9
Land	14,058		-	14,058	14,058		-	14,058
Art collection	8,436		-	8,436	8,058		-	8,058
Rare books and archives collection	3,981		-	3,981	3,807		-	3,807
Balance, end of year	$ 2,016,606	$	1,045,872	$ 970,734	$ 1,806,885	$	972,935	$ 833,950

(1) Construction in progress

Included in the construction in progress is $772,000 (2008 - $39,000) of capitalized interest.

(2) Donated Assets

Capital acquisitions during the year include donations-in-kind recorded at fair value in the amount of $840,000 (2008 - $2,242,000).

(thousands of dollars)

Note 7 Conditional Asset Retirement Obligation

The University has identified multiple buildings that contain asbestos and plans are underway to remediate the asbestos upon the renovation or redevelopment of selected buildings. The asset retirement obligation represents the legal obligations associated with the removal of asbestos during planned renovations at the University as follows:

	2009	2008
Beginning of year	$ 2,960	$ -
Additional asset retirement obligations	1,688	2,960
Liabilities settled	(1,588)	-
End of Year (note 10)	$ 3,060	$ 2,960

The carrying amount of the asset retirement obligation approximates the estimated cash flows required to settle the obligation. The obligation remains undiscounted because the entire amount is expected to be settled within one year. Accordingly fair value approximates carrying value.

The University has also identified other asset retirement obligations for which the fair value cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligation for these assets will be recorded in the period in which there is sufficient information to estimate fair value.

Note 8 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balance are as follows:

	2009		2008	
	Research & Other (1)	Capital	Research & Other (1)	Capital
Balance, beginning of the year	$ 288,750	$ 120,656	$ 248,439	$ 60,774
Grants, contributions, donations, and investment income received	311,547	201,207	303,819	139,256
Recognized as revenue	(236,421)	(234)	(215,699)	22
Transferred to unamortized deferred capital contribution (note 9)	(36,622)	(136,035)	(47,779)	(78,892)
Transfer to investment in capital assets, not subject to amortization	(7)	(137)	(30)	(504)
Balance, end of the year	$ 327,247	$ 185,457	$ 288,750	$ 120,656

(1) Includes research grants expended for capital and other purposes.

(thousands of dollars)

Note 9 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

		2009		2008
Balance, beginning of the year	$	587,382	$	510,559
Adoption of new financial instruments accounting policy		-		(897)
Additions from deferred contributions (note 8)		172,657		126,671
Amortization to revenue		(51,750)		(48,951)
Balance, end of the year	$	708,289	$	587,382

Note 10 Long-term Liabilities

	Rate of Interest	Original Advance	2009	2008
* Debenture for Cascade Hall, due May 1, 2025	6.250%	$ 16,500	$ 13,600	$ 14,045
* Debenture for Human Performance Lab, due March 16, 2011	4.349%	4,100	1,745	2,584
Mortgage for University Research Centre, due April 1, 2012	0.000%	5,500	1,740	2,292
Mortgage for the Dining Centre, Kananaskis and Rundle Halls, due March 1, 2016	5.125%	2,165	700	776
* Debenture for HRIC/Parkade, due April 13, 2031	4.935%	5,950	5,625	5,760
* Debenture for CDC/Parkade, due June 15, 2032	5.249%	1,950	1,890	1,931
* Debenture for International Residence House, due Sept 17, 2032	4.689%	25,600	25,600	8,900
			50,900	36,288
Due to Alberta Heritage Foundation for Medical Research (AHFMR)			217	220
Minority interest in subsidiary companies			21	54
Capital finance bridging facility, due June 30, 2009[1]	Prime	16,000	16,000	-
Obligation under capital leases[2]			714	855
Conditional Asset Retirement Obligation (note 7)			3,060	2,960
			70,912	40,357
Current portion of long-term liabilities			(22,124)	(5,249)
Balance, end of year			$ 48,788	$ 35,108

* Indicates payable to Alberta Capital Finance Authority which is a related party.

The debentures and mortgages are secured by land and buildings and are carried at their amortized value. The estimated fair market value for debentures and mortgages as at March 31, 2009 is $55,082,000 (2008 - $40,776,000). The fair market value of long-term debt is determined by discounting future cash flows using market rates representing rates that the University could obtain at March 31, 2009 for loans with similar terms, conditions and maturities.

(thousands of dollars)

Note 10 Long-term Liabilities (continued)

During the year, interest on long-term debt amounting to $1,374,000 (2008 - $1,418,000) has been charged to expense.

Principal payments on the debentures and mortgages during the next five fiscal years are as follows: 2010 - $ 2,761,000; 2011 - $ 2,871,000; 2012 - $2,055,000; 2013 - $1,677,000; 2014 - $1,670,000.

(1) Subsequent to year-end, the University received $15,000,000 in new debt financing from Alberta Capital Finance Authority for construction of the International Residence House. The proceeds for this new debt will facilitate repayment of the capital finance bridging facility.

(2) The future minimum lease payments under capital leases are as follows: 2010 - $304,000; 2011 - $401,000; 2012 – $9,000; 2013 - 2014 - $NIL (net of an average interest rate of 7.31%).

Note 11 Future Employee Benefits

Summary of Employee Future Benefits:

	2009	2008 (restated, note 21)
Universities Academic Pension Plan (UAPP)	$ 38,720	$ 31,091
Long-term Disability Plan	365	325
Early Retirement Incentive Plan	-	9
Supplemental Retirement Pension Plan	4,635	2,551
Balance, end of year	**$ 43,720**	**$ 33,976**

The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings.

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members. At December 31, 2008, the PSPP reported an actuarial deficit of $1,187,538,000 (2007 – deficit of $92,509,000 restated). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2008. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $8,993,000 for the year ended March 31, 2009 (2008 - $7,746,000).

The UAPP is a multi-employer contributory defined benefit pension plan for academic staff members and other eligible employees. At December 31, 2008, the UAPP reported an actuarial funding deficiency of $1,055,471,000 (2007 - $535,843,000) consisting of a pre-1992 deficiency of $752,437,000 (2007 - $501,300,000) and a post-1991 deficiency of $303,034,000 (2007 $34,543,000). Based on an extrapolation of the UAPP's financial position to March 31, 2009, this deficiency has increased to $1,299,860,000 ($857,110,000 for pre-1992 service and $442,750,000 for post-1991 service). The University's portion of this deficiency, which has been allocated based on its plan members' percentage of pensionable earnings, is estimated to be $187,030,000 at March 31, 2009 (2008 - $83,690,000). The University has recorded an accrued benefit liability of $38,720,000 (2008 - $31,091,000) and deferred $148,310,000 (2008 - $52,599,000) of unamortized experience losses as prescribed by the accounting standards for employee future benefits.

(thousands of dollars)

Note 11 Future Employee Benefits (continued)

The significant actuarial assumptions used to measure the UAPP's total accrued benefit obligation are as follows:

	UAPP	
	2009	2008
Accrued Benefit Obligation as of March 31		
Discount Rate	6.70%	6.70%
Average Compensation increase (next 3 years, thereafter)	6.00%, 3.00%	6.00%, 3.00%
Benefit costs for years ended March 31		
Discount Rate	6.70%	6.75%
Average Compensation increase (next 3 years, thereafter)	6.00%, 3.00%	6.00%, 3.00%
Alberta inflation (next 3 years, thereafter)	3.70%, 2.70%	3.70%, 2.70%
Estimated average remaining service life	10.5 yrs	10.5 yrs

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2007 – 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 1.74% (2007 – 2.28%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 1.08% (2007 – 2.64%) of salaries shared equally between employees and employers until December 31, 2021.

The University also has defined benefit plans that provide future employment benefits, which include long-term disability leave plans, early retirement incentive plans and supplemental pension obligations. The early retirement plans were available to employees from 1992 to 1998.

(thousands of dollars)

Note 11 Future Employee Benefits (continued)

Information about the University's defined benefit plans is as follows:

	2009			2008		
	Long-term Disability	Early Retirement Incentive	Supplemental Pension Obligation	Long-term Disability	Early Retirement Incentive	Supplemental Pension Obligation (restated)
Development of Expense						
Current service cost	$ -	$ -	$ 451	$ -	$ -	$ 311
Interest cost	40	-	217	37	1	165
Amortization of net actuarial losses (gains)	(105)	-	763	(74)	(1)	81
Amortization of past service cost	206	-	-	151	-	208
Curtailment	-	-	848	-	-	-
Expense	141	-	2,279	114	-	765
Financial Status						
Accrued Benefit Obligation	989	-	6,281	1,050	9	5,151
Funded status - plan deficit	(989)	-	(6,281)	(1,050)	(9)	(5,151)
Unamortized net actuarial (gains) losses	(784)	-	1,646	(890)	-	2,301
Unamortized past service costs	1,408	-	-	1,615	-	299
Accrued benefit liability (1)	(365)	-	(4,635)	(325)	(9)	(2,551)
Reconciliation of Accrued Benefit Obligation						
Accrued Benefit Obligation, beginning of year	1,050	9	5,151	858	63	3,160
Current service cost	-	-	451	-	-	311
Interest cost	40	-	217	37	1	165
Benefits paid	(101)	(9)	(196)	(89)	(54)	(91)
Actuarial loss (gain)	-	-	191	(316)	(1)	1,447
Past service cost	-	-	-	560	-	176
Curtailment loss	-	-	467	-	-	(17)
Accrued Benefit Obligation, end of year	$ 989	$ -	$ 6,281	$ 1,050	$ 9	$ 5,151

(1) The University plans to use its working capital to finance future obligations under these plans.

(thousands of dollars)

Note 11 Future Employee Benefits (continued)

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligation for the benefit plans are as follows:

	Long-term Disability		Early Retirement Incentive		Supplemental Pension Obligation	
	2009	2008	2009	2008	2009	2008
Accrued benefit obligation as of March 31						
Discount Rate	4.00%	4.00%	4.00%	4.00%	3.2% per year for 10 years , 5.3 % per year thereafter	4% per year for 10 years; 5% thereafter
Average compensation increase	n/a	n/a	n/a	n/a	4%	4%
Benefit costs for years ended March 31						
Discount rate	4.00%	4.50%	4.00%	4.50%	4% per year for 10 years, 5% per year thereafter	4.85%
Average compensation increase	n/a	n/a	n/a	n/a	4%	4%

	2009	2008
Assumed health care cost trend rates at March 31		
Dental costs	3%	3%
Extended health care costs*	8.0%	8.5%
Alberta health care costs	3%	3%

*Extended health care costs will reduce by 0.5% per year until it reaches 5.0%

(thousands of dollars)

Note 12 Net Assets Restricted for Endowment Purposes

Endowments consist of:

- Restricted donations to the University - the principal must be maintained intact in perpetuity (externally restricted)
- Internal allocations by the Board of Governors (internally restricted).

The investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of the endowments are protected by limiting the amount of investment income that may be spent to 5% of the 4 year rolling market average of the principal donation, except as otherwise stipulated by the donor. Investment income earned in excess of this amount is added to the endowment principal.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of externally restricted endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, or should the investment return be negative, the spending allocation is funded from cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be recovered by future investment income.

			2009			2008
	External	Internal	Total	External	Internal	Total
Contributions received during the year	$ 20,785	$ 125	$ 20,910	$ 20,670	$ 3,603	$ 24,273
Transfers	59	131	190	544	-	544
Endowment spending allocation including fees	(16,900)	(2,511)	(19,411)	(13,353)	(3,028)	(16,381)
Investment (loss)	(74,294)	(12,873)	(87,167)	(15,469)	(3,395)	(18,864)
Decrease during the year	(70,350)	(15,128)	(85,478)	(7,608)	(2,820)	(10,428)
Balance, beginning of year	360,216	65,814	426,030	368,541	68,634	437,175
Adoption of new financial instruments accounting policy	-	-	-	(717)	-	(717)
Balance, end of year	289,866	50,686	340,552	360,216	65,814	426,030
Cumulative contributions	253,504	40,745	294,249	232,660	40,489	273,149
Cumulative capitalized earnings	36,362	9,941	46,303	127,556	25,325	152,881
Balance, end of year	$ 289,866	$ 50,686	$ 340,552	$ 360,216	$ 65,814	$ 426,030

During 2009, cumulative capitalized income of $91,195,000 (2008 – $28,822,000) was required to cover the investment loss on externally restricted endowments of $74,294,000 (2008-$15,469,000) and the approved endowment spending allocation of $16,900,000 (2008-$13,353,000). At March 31, 2009 the University's external endowments have cumulative capitalized earnings of $36,362,000 (2008-$127,556,000).

(thousands of dollars)

Note 13 Net Assets Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

		2009		2008
Capital assets and collections at net book value (note 6)	$	970,734	$	833,950
Patents at net book value (note 5)		1,521		1,516
Less: amounts financed by:				
Unamortized deferred capital contributions (note 9)		(708,289)		(587,382)
Long-term debt		(61,531)		(36,420)
Investment in capital assets and collections, end of year	$	202,435	$	211,664

		2009		2008
The changes during the year are as follows:				
Acquisition of capital assets	$	44,964	$	37,295
Long-term debt - repayments		1,577		1,644
Long-term debt - new financing		(26,689)		(11,705)
Amortization of internally funded capital assets		(29,225)		(31,191)
		(9,373)		(3,957)
Collection of assets not subject to amortization		144		534
Investment in capital assets and collections, beginning of year		211,664		214,190
Adoption of new financial instruments accounting policy		-		897
Investment in capital asset and collections, end of year	$	202,435	$	211,664

Note 14 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board. Net assets have been set aside for the following purposes:

		2009		2008
Subsidiaries	$	1,157	$	1,439
Internally Restricted for Future Commitments		71,048		20,404
Faculty and Departmental		5,449		4,421
Balance, end of year	$	77,654	$	26,264

(thousands of dollars)

Note 15 Investment Income

		2009		2008
Loss on externally restricted endowments	$	(74,294)	$	(15,469)
Loss on internally restricted endowments		(12,873)		(3,395)
Gain on non endowed investments		19,970		18,235
Loss on write-down of Asset Backed Commercial Paper (note 4)		(11,933)		(16,822)
		(79,130)		(17,451)
Loss charged to externally restricted cumulative capitalized endowment earnings		74,294		15,469
Loss on write-down of Asset Backed Commercial Paper (note 4)		11,933		16,822
Amounts deferred in current year		(35)		(722)
Total investment income recognized on statement of revenue and expense	$	7,062	$	14,118

Note 16 Salaries and Benefits

In accordance with Province of Alberta Treasury Board Directive 12/1998, as amended, the salaries and benefits of the University's senior decision management group are disclosed as follows:

		Base Salary [(1)]		Other Cash Benefits [(2)]		Other Non-Cash Benefits [(3)]		2009 Total		2008 (restated) Total
Governance [(4)]										
Chair of the Board of Governors	$	-	$	-	$	-	$	-	$	-
Members of the Board of Governors		-		-		-		-		-
Executive										
President [(5)]		441		-		1,980		2,421		724
Vice-Presidents:										
Provost and Academic		332		16		74		422		334
Finance and Services		273		7		98		378		385
Research and International		316		-		144		460		330
External Relations [(6)]		226		131		98		455		328
Development		293		17		143		453		356
Facilities Management and Development [(7)]		267		10		61		338		-
Total	$	2,148	$	181	$	2,598	$	4,927	$	2,457

(1) Base salary includes regular base pay.

(2) Other cash benefits include bonuses, honorariums, and lump sum payments.

(3) Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, workers compensation, professional expense allowance and the employer's current and prior service cost of the unfunded supplementary retirement plan as per note (8) below. Benefits reported for the President include a housing allowance. Benefits reported for the President and Vice-Presidents include car allowances or the taxable benefit for the use of University leased vehicles.

(thousands of dollars)

Note 16 Salaries and Benefits (continued)

(4) The Board of Governors governs the University. Members are either appointed or serve in an ex-officio capacity. They may be employed by the University, but do not receive remuneration for their participation on the Board.

(5) In follow up to commitments made in fiscal 2002 during the recruitment process of the President, the University's Board of Governors ratified the President's Supplemental Pension Benefits in fiscal 2007. On January 25, 2007, a Statement of Principles was signed and the President was credited with 22 years of past service from his previous employer effective September 1, 2001, the first day he served as President of the University. The actuarial valuations and extrapolations performed in all the preceding fiscal years did not include this 22 years of past service.

During the year, the President's Supplemental Pension benefits were re-measured to include the 22 years of past service back in fiscal 2002. In accordance with the Treasury Board directive the President's non-cash benefits have been restated:

NON-CASH BENEFITS:	2002	2003	2004	2005	2006	2007
Previously stated	72	108	116	131	140	148
As Restated	58	169	207	284	271	282

The President's total salary and benefits in accordance with the Treasury Board directive for fiscal 2008 have been restated as:

	As Restated March 31, 2008	As Previously Reported March 31, 2008
Base Salary	377	377
Other Non-Cash Benefits	347	180
Total	724	557
Accrued Benefit Obligation	3,375	522

The Employee Future Benefits liability for the University's Supplemental Pension Obligation has been restated for the March 31, 2008 comparative year from $1,831,000 to $2,551,000 (note 11). The impact of this restatement in fiscal 2008 has been a decrease to unrestricted net assets of $554,000 (note 21) and an increase to benefits expense of $167,000 (note 21).

In fiscal 2009 the President has other non-cash benefits of $1,980,000 (2008 – 347,000 restated), $1,882,000 of which relates to supplemental pension benefits. In fiscal 2009, the President announced his intent for early retirement. As a result, his pension benefits were revalued and unamortized losses and past service costs were spread over a shorter time frame, directly increasing his pension expense for the year. The President's non-cash benefits related to supplemental pension plan for fiscal 2010 is projected to be $1,028,000 for a total estimated accrued benefit obligation of $4,574,000.

(6) The Vice President External Relations retired in January 2009. Compensation amounts include a payment of a $131,000 retirement allowance in other cash benefits. A new Vice President External Relations has not been appointed.

(7) During the year, a new position for Vice-President Facilities Management and Development was appointed. Salaries and benefits for the new position have been disclosed. A comparative has not been disclosed since this is a new Vice-Presidential position.

Note 16 Salaries and Benefits (continued)

(8) Under the terms of the supplementary retirement plan (SRP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses in excess of 10% of the benefit obligation are amortized over the average remaining service life with respect to each plan participant. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

Supplementary Retirement Benefits (in thousands):

	Current Service Cost	Prior Service and Other Costs	2009 Total	2008 Total
Governance				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Executive				
President - restated	102	1,780	1,882	256
Vice-Presidents:				
Provost and Academic	44	7	51	36
Finance and Services	-	-	-	68
Research and International	46	3	49	34
External Relations	40	15	55	37
Development	41	10	51	33
Facilities Management and Development	40	1	41	-
Total	$ 313	$ 1,816	$ 2,129	$ 464

(thousands of dollars)

Note 16 Salaries and Benefits (continued)

The accrued obligation for each executive under the SRP is outlined in the following table:

	Accrued obligation March 31, 2008	Changes in accrued obligation	Accrued obligation March 31, 2009
Governance			
Chair of the Board of Governors	$ -	$ -	$ -
Members of the Board of Governors	-	-	-
Executive			
President (restated)	3,375	925	4,300
Vice-Presidents:			
Provost and Academic	77	78	155
Finance and Services	-	-	-
Research and International	34	53	87
External Relations	213	(33)	180
Development	153	58	211
Facilities Management and Development	-	41	41
Total	$ 3,852	$ 1,122	$ 4,974

(thousands of dollars)

Note 17 Budget Comparison

The University's unconsolidated budget was prepared on a break-even basis and approved by the Board of Governors on April 11, 2008.

	2009		2008	
	Budget	Actual	Budget	Actual (restated)
REVENUE				
Government of Alberta grants & Other government grants	$ 591,937	$ 585,547	$ 520,085	$ 494,273
Donations and other grants	76,777	83,099	76,157	75,878
Credit tuition and related fees	130,682	139,751	125,863	123,360
Non-credit tuition and related fees	17,928	17,415	16,880	15,608
Sales of services and products	84,209	93,081	74,468	82,090
Amortization of deferred capital contributions	50,010	51,750	49,370	48,951
Investment income	25,118	7,062	21,820	14,118
	976,641	957,705	884,643	854,278
EXPENSE				
Salaries & Benefits	600,175	570,066	557,781	516,299
Materials, supplies & services, travel, cost of goods sold, maintenance & repairs	224,152	209,914	179,255	194,792
Amortization of capital assets	80,309	80,975	77,449	80,142
Utilities	30,890	32,039	26,714	27,707
Scholarships, grants and awards	41,359	55,595	41,759	45,073
Financing	1,824	1,374	3,052	1,433
	978,709	949,963	886,010	865,446
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSE BEFORE THE FOLLOWING	$ (2,068)	$ 7,742	$ (1,367)	$ (11,168)
Write-down of Investment in Asset backed commercial paper (note 4 & 15)	-	(11,933)	-	(16,822)
DEFICIENCY OF REVENUE OVER EXPENSE	$ (2,068)	$ (4,191)	$ (1,367)	$ (27,990)

The University's budget comparison includes budgeted and actual revenues and expenditures of its wholly owned subsidiaries, the Arctic Institute of North America (AINA) and University Technologies Group. On an unconsolidated basis, the deficiency of revenue over expense totals $2,278,000 when compared to the break-even budget. The deficiency of revenue over expense for both AINA and University Technologies Group totals $1,913,000 when compared to a budgeted deficiency of $2,068,000.

Note 18 Pledges

Outstanding pledges at March 31, 2009 are $115,588,000 (2008 - $120,821,000) and have not been recorded as accounts receivable. These pledges are expected to be honored over the next several years.

Note 19 Commitments and Contingencies

(a) As at March 31, 2009 the University has contractual commitments of $169,180,000 (2008 - $52,705,000) for capital projects.

(b) The University is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be reasonably estimated at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position or the results of operations of the University. Any loss that may result from these proceedings will be accounted for in the period in which the settlement occurs. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.

(c) The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. As at December 31, 2008 CURIE had a surplus of $17,748,000 (2007 - $16,825,000) of which the University's pro-rata share is approximately 5.88% (2007 – 5.94%) on an ongoing basis.

(d) The University's commitments for operating leases for the next five years are as follows: 2010 - $1,032,000; 2011 - $838,000; 2012 - $550,000; 2013 - $293,000; 2014 - $252,000.

(e) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors entered into a five year contract with Enmax effective January 1, 2007. The basis of the contract is a floating hourly market price with the option to hedge any portion of the electrical load in the future. Subsequently the University has established a 3-year fixed price arrange with Enmax Energy effective April 1, 2008. Using best estimates of future consumption levels, the costs to be incurred (including wires transportation) are as follows: 2010 - $13,850,000; 2011 - $7,000,000. The contract expires December 31, 2011.

(f) The University has a five year contract for natural gas with Direct Energy Business Services effective November 1, 2008. The contract is an Energy Purchase Agreement based on an index (floating on the spot market) price with an option to hedge any portion of the requirement at any time. Using best estimates of future consumption and forward market prices on March 31, 2009 the approximate value of the contract for the commodity is as follows: 2010 - $5,600,000, 2011 - $10,750,000, 2012 - $12,400,000, 2013 - $10,200,000. The contract expires October 31, 2013.

(g) As at March 31, 2009 the University has entered into employment contracts that include commitments by the University to provide or guarantee housing loans in the amount of $2,078,000 (2008 - $3,930,000).

(thousands of dollars)

UNIVERSITY OF CALGARY

Note 20 Related Party Transactions

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) Transactions between the University and the Province of Alberta are summarized as follows:

	2009	2008
Alberta Advanced Education and Technology:		
Operating grant	$ 333,541	$ 301,353
Access grants	52,615	37,698
Miscellaneous grants	18,756	12,321
Performance funding	-	2,852
Capital grants	199,407	166,923
Total Alberta Advanced Education and Technology grants	604,319	521,147
Other provincial departments and agencies	78,883	64,068
Total Government of Alberta grants received	683,202	585,215
Provincial grants deferred	(225,926)	(179,403)
Earned Government of Alberta grants	$ 457,276	$ 405,812

The University has accounts receivable from the Province of Alberta of $17,389,000 (2008 - $32,396,000), accounts payable of $3,722,000 (2008 - $1,707,000) and long-term liabilities of $48,460,000 (2008 - $33,200,000). The Province of Alberta has provided $3,521,000 (2008 - $7,400,000) in matching grants for externally restricted endowment contributions, which is included in endowment net assets.

(b) The Calgary Health Region and the Province of Alberta are related parties as the Region's board is appointed by the Minister of Health and Wellness. As the University and the Province of Alberta are related parties, the Calgary Health Region is a related party to the University. Transactions between the University and the Calgary Health Region are summarized as follows.

	2009	2008
The University of Calgary pays to the Calgary Health Region in the normal course of operations amounts related to utilities; salaries and benefits; and materials, supplies and overheads. Expenditures incurred:	$ 23,215	$ 17,922
The University of Calgary receives from the Calgary Health Region in the normal course of operations amounts related to physicians; research projects, studies and grants; programs; and support services. Revenues included in income:	$ 40,496	$ 37,712
Net receivable to the University of Calgary by the Calgary Health Region:	$ 5,211	$ 12,019

The University has entered into a lease agreement with the Region to lease 32 acres of land to the Region for the site of the new Alberta Children's Hospital. The University also leases land to the Region for a parkade at the Foothills Medical Centre. Effective September 2003 the University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. At March 31, 2009, the carrying value of the lease receivable is $15,014,000 (2008 – $15,244,000). During the year the University received $1,356,000 in lease payments (2008 – $1,318,000), $1,126,000 of which was recognized as interest income (2008 – $1,141,000).

(thousands of dollars)

Note 20 Related Party Transactions (continued)

(c) The University of Calgary Medical Group (UCMG) is a not-for-profit organization that provides billing services to the members of UCMG in accordance with an Agency Agreement and a Member Agreement. These agreements govern the activities of the group such as billings, collections and accounting services. Effective January 1, 2001, a clinical service levy, based on percentages of individual member's medical revenue is paid to the University of Calgary

Note 21 Change in Accounting Policy for Employee Future Benefits

In previous years, the University had accounted for its pension costs in the Universities Academic Pension Plan (UAPP) based on employer paid contributions. Although the total UAPP pension liability was known; there was significant measurement uncertainty with respect to each participant's share.

The Universities and the Province of Alberta have made their best estimate to allocate to each University their respective share of the unfunded liability as at March 31, 2009. As a result, the University has changed its accounting policy from defined contribution to defined benefit accounting to provide more complete and transparent financial statements.

These changes have been applied retroactively with restatement of comparative numbers. The impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

	As previously recorded	Adjustment Recorded	2008 (as restated)
Increase (decrease) in:			
Statement of Financial Position			
Unrestricted Net Assets, beginning of the year [1]	$ (1,802)	$ (38,214)	$ (40,016)
Unrestricted Net Assets, end of the year	(13,444)	(31,811)	(45,255)
Employee Future Benefits	2,165	31,811	33,976
Statement of Revenue and Expense			
Benefits expense [2]	$ 72,740	$ (6,403)	$ 66,337

(1) Includes adjustment to opening unrestricted net assets for UAPP in the amount of $37,660,000 and for the supplemental pension plan in the amount of $554,000 (note 16).

(2) Includes pension recovery for UAPP in the amount of $6,570,000 and pension expense for the supplemental pension plan in the amount of $167,000 (note 16).

Note 22 Comparative Figures

Certain 2008 figures have been reclassified to conform to the presentation adopted in the 2009 financial statements.

Note 23 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

UNIVERSITY OF LETHBRIDGE
Financial Statements

For the year ended March 31, 2009

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

AUDITOR GENERAL
Alberta

Auditor's Report

To the Board of Governors of the University of Lethbridge

I have audited the statement of financial position of the University of Lethbridge as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FCA
Auditor General

Edmonton, Alberta
June 10, 2009

University of Lethbridge

Statement of Financial Position

(thousands of dollars)

As At March 31		2009	2008 Restated
Current Assets			
Cash and short term investments (note 4)	$	44,852	$ 26,035
Accounts receivable		7,744	16,675
Inventories		669	518
Prepaid expenses		1,405	1,025
		54,670	44,253
Deposit on capital assets		-	1,104
Investments (note 5)		120,409	116,705
Contributions receivable - long-term portion (note 6)		3,121	3,178
Capital assets and collections (note 7)		262,458	231,320
	$	440,658	$ 396,560
Current Liabilities			
Accounts payable and accrued liabilities	$	10,147	$ 8,724
Employee future benefits (note 8)		6,548	4,499
Deferred revenue		4,522	4,373
Deferred contributions, research and other (note 9)		17,532	13,953
Current portion of long term obligations (note 10)		840	818
		39,589	32,367
Long Term Liabilities			
Long-term obligations (note 10)		4,358	4,571
Employee future benefits (note 8)		16,764	14,667
Deferred contributions, research capital (note 9)		918	1,761
Deferred contributions, capital (note 9)		60,120	44,534
		82,160	65,533
Unamortized deferred capital contributions (note 11)		149,380	119,515
Net Assets			
Investment in capital assets and collections		107,880	106,416
Endowments (note 12)		28,952	32,173
Internally restricted (note 13)		6,240	13,335
Unrestricted (note 14)		26,457	27,221
		169,529	179,145
	$	440,658	$ 396,560

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Operations

(thousands of dollars)

For the Year Ended March 31	Original Budget (Unaudited)	2009	2008 Restated
Revenue			
Grants	$ 103,257	$ 106,660	$ 96,482
Tuition and related fees	36,398	35,904	35,427
Sales of services and products	13,384	12,307	12,655
Miscellaneous	1,219	2,558	1,211
Investment income (loss) (note 15)	5,432	(11,709)	(1,212)
Gifts and donations	1,457	1,332	701
Amortization of unamortized deferred capital contributions	6,500	7,280	6,284
	167,647	154,332	151,548
Expense			
Salaries	105,110	90,950	83,064
Employee benefits	14,278	15,830	12,090
Scholarships, fellowships and bursaries	2,151	6,655	5,091
Supplies and services	12,160	9,056	8,202
Repairs and maintenance	1,090	2,772	1,159
Cost of good sold	3,388	3,141	3,122
Equipment	5,597	3,743	4,270
Travel	3,229	4,102	4,046
External contracted services	2,449	3,966	3,196
Utilities	2,835	2,956	3,063
Professional fees	623	1,800	1,651
Interest on long term obligations	1,000	653	570
Insurance	641	477	458
Property taxes	221	142	196
Loss (gain) on disposal of capital assets	-	68	254
Amortization of capital assets	12,699	14,098	12,832
	167,471	160,409	143,264
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	$ 176	$ (6,077)	$ 8,284

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Changes in Net Assets

(thousands of dollars)

For the Year Ended March 31	2009 Investment in capital assets	2009 Endowments	2009 Internally restricted	2009 Unrestricted	2009 TOTAL	2008 TOTAL
BALANCE, beginning of year as previously stated	$ 106,415	$ 32,173	$ 13,335	$ 34,871	$ 186,795	$ 178,503
Change in accounting policy (note 3)	-	-	-	(7,650)	(7,650)	(9,120)
As Restated	106,415	32,173	13,335	27,221	179,145	169,383
Excess (deficiency) of revenue over expense	-	-	-	(6,077)	(6,077)	8,284
Non-amortizable collection and acquisition donations	64	-	-	-	64	130
Endowment contributions	-	2,730	-	-	2,730	1,614
Investment loss on endowments	-	(6,333)	-	-	(6,333)	(266)
Transfers	-	352	-	(382)	-	
Capital asset additions	8,086	-	(2,436)	(5,650)	-	
Net book value of capital asset disposals	(106)	-	-	106	-	
Amortization	(6,518)	-		5,818	-	
Repayment of long-term debt	238	-	-	(238)	-	
Allocation to internally restricted net assets	-	-	2,766	(2,766)	-	
Expenditure of internally restricted net assets	-	-	(7,425)	7,425	-	
BALANCE, end of year	$ 107,880	$ 28,952	$ 6,245	$ 26,457	$ 169,519	$ 179,145

The accompanying notes are part of these financial statements.

University of Lethbridge

Statement of Cash Flows

(thousands of dollars)

For the Year Ended March 31	2009	2008 Restated
Cash provided by (used in) operating activities:		
Excess (deficiency) of revenue over expense	$ (6,077)	$ 8,284
Non cash transactions:		
Amortization of unamortized deferred capital contributions	(7,280)	(6,284)
Amortization of capital assets	14,098	12,832
Loss on disposal of capital assets	68	254
Unrealized investment loss (gain)	16,437	(3,416)
Increase (decrease) in long term employee benefit liabilities	2,097	(796)
Increase (decrease) non cash working capital (note 17)	14,768	(4,939)
	34,111	5,935
Cash provided by (used in) investing activities:		
Purchase of investments (net)	(27,299)	(25,182)
Capital asset additions:		
Internally funded	(8,085)	(10,433)
Externally funded	(36,917)	(25,342)
Deposit on capital assets	1,104	(1,104)
Proceeds on disposal of capital assets	37	15
	(71,160)	(62,046)
Cash provided by (used in) financing activities:		
Capital contributions	51,640	50,695
Endowment contributions	2,730	1,614
Capitalized investment earnings (loss)	824	(3,150)
Increase (decrease) in capital construction holdbacks	832	(1,744)
Decrease in long term receivable	57	180
Repayment of long term obligations	(217)	(426)
	55,866	47,169
Increase (decrease) in cash and short-term investments	18,817	(8,942)
Cash and short-term investments, beginning of period	26,035	34,977
Cash and short-term investments, end of period	$ 44,852	$ 26,035

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

Note 1 Authority and Purpose

University of Lethbridge operates under the *Post-Secondary Learning Act* of the Province of Alberta to provide post-secondary and graduate education and to engage in research and public service. The University is a registered charity, and under section 149 of the *Income Tax Act of Canada*, is exempt from the payment of income tax.

Note 2 Significant Accounting Policies

a) General – GAAP and use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. Employee future benefit liabilities, amortization of capital assets, amortization of unamortized capital contributions and asset retirement obligations are the most significant items based on estimates. In administrations' opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b) Interest in joint ventures

These financial statements use the equity method to record the University's interest in jointly controlled entities. Currently there are no joint ventures recorded using the equity method. Joint ventures where the University does not maintain control are disclosed in Note 18.

c) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income – earned interest and dividends, realized and unrealized gains and losses.
- Revenues received for services and products - when the services or products are provided.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.
- Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as an asset, with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowment as applicable. Contributions are disclosed in Note 6.

Restricted contributions – deferral method

Contributions, including investment income on the contributions, that are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions restricted to the acquisition of capital assets with limited life are recorded as deferred capital contributions when received, and when expended, are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings allocated to endowment principal, under agreements with benefactors or the *Post-Secondary Learning Act*, are also recognized as direct increases in endowment net assets.

Note 2 **Significant Accounting Policies (continued)**

c) Revenue Recognition (continued)

Contributions restricted to the acquisition of land and permanent collections are recorded as deferred contributions when received, and when expended, are recognized as direct increases in investment in capital assets and collections.

d) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in first-out basis.

e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair market value when a fair value can be reasonably determined.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Land improvements	10-25 years	Computer equipment	3-5 years
Buildings – Exterior	40 years	Electrical equipment	20 years
Buildings – Interior	20 years	Software	3-5 years
Leasehold improvements	15 years	Vehicles	6 years
Furnishings and equipment	5-10 years	Learning resources	10 years

Permanent collections are not amortized and consist of works of art.

f) Employee Future Benefits

The University participates in the Public Service Pension Plan (PSPP) and Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings.

The University does not have sufficient plan information on the PSPP required to follow defined benefit plan accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's respective future benefits.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings.

The University has a number of defined benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. These include the Early Retirement Plan, the Senior Administrative Leave Plan, Long-Term Disability Plans and pension plans. In addition, the University provides a supplementary benefit plan to some employees, which is accounted for as a defined contribution plan. The early retirement plan is closed to new members and no future service benefits are being accrued. The actuarial determination of the accrued benefit obligations for other employee future benefits uses either the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors) or the accumulated benefit method where future salary levels or cost escalations do not affect the amount of employee future benefits.

Note 2 **Significant Accounting Policies (continued)**

g) Contributed Services

Volunteers and University staff contribute an undeterminable number of hours each year to assist the University in achieving its mandate. Such contributions are not recognized in the financial statements.

h) Asset Retirement Obligation

The discounted present value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value can be made.

Upon initial recognition of an asset retirement obligation, the same amount is recognized as an increase in the carrying amount of the related asset. The asset retirement cost is allocated to expense over its estimated useful life or as the cost of retiring the asset is incurred, if applicable.

i) Classification and Accounting for Financial Instruments

The University's financial assets and liabilities are classified as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair Value
Investments	Held for trading	Fair Value
Accounts receivable	Loans and Receivables	Amortized cost
Other long-term assets	Loans and Receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Long-term liabilities	Other liabilities	Amortized cost

Other balance sheet accounts have not been classified as they are not within the scope of the accounting standards.

The University's financial instruments are recognized on their trade date and fair values have been recorded for all assets in transit. Transaction costs related to all financial instruments are expensed as incurred. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date. For securities where market quotes are not available, estimation techniques are used to determine fair value. Estimation techniques used include discounted cash flows, internal models that utilize observable market data or comparisons with other securities that are substantially the same.

The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. As permitted for Not-for-Profit Organizations under the standard, the University has elected to not apply the standards on non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts, and the University has elected to adopt handbook section 3861 rather than sections 3862 and 3863.

The University is exposed to risk through the normal course of operations. These risks are managed through internal policies, guidelines and procedures. These risks include:

Market Risk
The University is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the University has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerances.

Note 2 Significant Accounting Policies (continued)

i) Classification and Accounting for Financial Instruments (continued)

Liquidity Risks
The University maintains a short-term line of credit with the Bank of Montreal that is designed to ensure sufficient available funds to meet current and forecasted financial requirements as cost effectively as possible. As at March 31, 2009 the University had committed borrowing facilities of $5 million, none of which had been drawn.

Credit Risk
The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricting enrollment activities for students with delinquent balances and maintaining standard collection procedures.

Interest Rate Risk
Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates. This risk is managed by contractually setting interest rates with banking institutions.

Commodity Price Risk
The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into a five year fixed price electricity contract that commenced January 1, 2006.

Note 3 Accounting Policy Developments

a) Capital Disclosures, Section 1535
Effective April 1, 2008 the University adopted Section 1535, Capital Disclosures which prescribes standards for disclosing information about entity's objectives, policies and procedures for managing capital. The additional disclosures required as a result of adopting this standard are included in Note 21.

b) Cash Flow Statements, Section 1540

Effective April 1, 2008 the University adopted Section 1540 Cash Flow Statements that establishes standards for the classification and presentation of cash flow statements. The adoption of this standard resulted in the removal of non-cash transactions from investing and financing activities in the Statement of Cash Flows of the current and prior year.

c) Change in Accounting Policy for Employee Future Benefits

In previous years, the University had accounted for its pension costs in the Universities Academic Pension Plan (UAPP) based on employer paid contributions. Although the total UAPP pension liability was known; there was significant measurement uncertainty with respect to each participant's share.

The Universities and the Province of Alberta have made their best estimate to allocate to each University their respective shares of the unfunded liability as at March 31, 2009. As a result, the University has changed its accounting policy from defined contribution to defined benefit accounting to provide more complete and transparent financial information.

These changes have been applied retroactively with restatement of comparative numbers. The impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 3 **Accounting Policy Developments (continued)**

c) Change in Accounting Policy for Employee Future Benefits (continued)

	As Previously Recorded		Adjustment Recorded		2008 (as restated)
Increase (decrease) in					
Statement of Financial Position					
Unrestricted Net Assets, beginning of the year	$	18,664	$ (9,120)	$	9,544
Unrestricted Net Assets, end of the year	$	34,871	$ (7,650)	$	27,221
Employee Future Benefits	$	7,017	$ 7,650	$	14,667
Statement of Operations					
Employee benefits	$	13,560	$ (1,470)	$	12,090

Note 4 **Cash and Short-term Investments**

Cash and short-term investments are invested in high quality Canadian money market instruments. The carrying value of cash and short-term investments approximate fair value.

	2009 Cost	Effective Yield	2008 Cost	Effective Yield
Cash and cash equivalents	$ 44,852	2.24%	$ 26,035	4.23%
	$ 44,852		$ 26,035	

Short-term investments are held on average for less than one year and bonds are held on average for less than two years.

Bond investments must have a rating of BBB-plus or better and the short-term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Note 5 **Investments**

The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the short-term. The primary objective of this portfolio is a rate of return that, in real terms, exceeds the endowment spending allocation at an acceptable risk level.

	2009			2008		
	Annual Market Yield	Market Value		Annual Market Yield	Market Value	
Cash and cash equivalents	1.50%	$	22,554	3.74%	$	22,463
Bonds	3.06%		43,668	4.32%		31,839
Canadian equity	-32.50%		32,819	-0.20%		36,999
Foreign equity	-31.96%		21,234	-12.70%		25,269
Other investments			134			135
		$	120,409		$	116,705

Bond investments must have a rating of BBB-plus or better and the short-term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Cash and cash equivalents are held for less than one year and government and corporate bonds currently hold terms to maturity ranging from less than 1 year to more than 39 years.

(in thousands of dollars)

Note 6 Contributions Receivable

	2009	2008
1st Choice Savings and Credit Union Ltd	$ 1,950	$ 2,100
University of Lethbridge students	2,129	2,317
University of Lethbridge graduate students	57	-
	4,136	4,417
Discount to present value	(660)	(889)
Current portion included in accounts receivable	(355)	(350)
	$ 3,121	$ 3,178

The 1st Choice Savings and Credit Union Ltd. is the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness and is contributing a total of $2,250 over a 15-year period. University of Lethbridge students are contributing $2,500 towards the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 11 years. Graduate students of the University of Lethbridge are contributing $60 towards the construction of the Day Care facility, to be collected over a period of approximately 13 years. These contributions have been discounted to their present value using market interest rates. The revenue from these contributions will be recognized in the financial statements as the building is amortized. The discount on the contributions will be recognized in future years as interest income.

In addition to the contributions above, there are pledges of $4,857 (2008 - $4,186) for capital projects and scholarships that have not been recorded in the financial statements.

Note 7 Capital Assets and Collections

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and land improvements	$ 291,628	$ 87,479	$ 204,149	$ 254,360	$ 79,747	$ 174,613
Equipment and furnishings	60,728	46,074	14,654	57,230	43,561	13,669
Library materials	30,469	21,414	9,055	28,573	20,071	8,502
Capital assets subject to amortization	382,825	154,967	227,858	340,163	143,379	196,784
Land	913		913	913		913
	383,738	$ 154,967	228,771	341,076	$ 143,379	197,697
Permanent collections	33,687		33,687	33,623		33,623
Capital assets and collections	$ 417,425		$ 262,458	$ 374,699		$ 231,320

Included in buildings and land improvements is $28,066 (2008- $17,743) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year included in-kind contributions (such as learning resources and equipment) in the amount of $279 (2008 - $376).

(in thousands of dollars)

Note 8 Employee Future Benefits

	2009	2008 Restated
Vacation and overtime pay	$ 3,704	$ 3,439
Maternity and parental leaves	268	129
Other payroll liabilities	1,471	151
Early retirement benefit plans	216	250
Senior administrative leaves	5,897	5,576
Supplementary benefit plan	1,814	1,490
Long-term disability benefits	472	481
UAPP pension liability	9,470	7,650
	23,312	19,166
Less current portion	(6,548)	(4,499)
	$ 16,764	$ 14,667

The University has defined benefit plans that provide future employment benefits, which include the Early Retirement Plan, Senior Administrative Leave, Long-Term Disability Plans and pension plans. In addition, the University provides a supplementary benefit plan to some employees, which is accounted for as a defined contribution plan.

Maternity and parental leave benefit obligations accrue when employees begin their leaves and are reduced as the benefits are subsequently paid to employees.

The Early Retirement Plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. This plan is closed to new members and no future service benefits are being accrued.

The Senior Administrative Leave Plan provides for certain senior administrators to accrue an entitlement to a leave of absence, for the purpose of professional development, at the end of their service in an administrative position. Upon leaving the post, the member's salary and benefits in effect at the end of the service are paid for the duration of the leave and are indexed at a rate determined by the University.

The Long-Term Disability Plans provide pension and non-pension benefits after employment, but before retirement. The University pays for the non-insured portion of the disability benefits.

The Supplementary Benefit Plan provides a termination benefit to certain employees over and above the benefits provided by the Universities Academic Pension Plan. The University contributes annually to the Supplementary Benefit Plan based on the employee's salary. Each employee's account is also adjusted annually by the realized rate of return on the University's long-term investments.

Total cash payments for employee future benefits for 2009, consisting of cash payments directly to beneficiaries for unfunded benefit plans and cash contributed to its multi-employer defined benefit plans, were $7,967 (2008- $7,279).

The University measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the employee future benefit plans was performed as of March 31, 2009.

(in thousands of dollars)

Note 8 Employee Future Benefits (continued)

The benefit plan obligations are as follows:

	2009 Supplementary Benefit Plan	2009 Early Retirement Plan	2009 Senior Administrative Leave	2009 Long-Term Disability Plan	2008 Supplementary Benefit Plan	2008 Early Retirement Plan	2008 Senior Administrative Leave	2008 Long-Term Disability Plan
Accrued benefit obligation:								
Balance, beginning of year	$ 1,490	$ 250	$ 5,576	$ 660	$ 1,199	$ 341	$ 5,064	$ 676
Current service cost	308	-	601	68	272	-	827	61
Past service cost	-	-	-	-	-	-	-	-
Interest cost	65	12	311	35	54	13	253	31
Benefits paid	(49)	(44)	(575)	(140)	(35)	(106)	(518)	(117)
Actuarial loss (gain)	-	(2)	45	98	-	2	(50)	[illegible]
Balance, end of year	1,814	216	5,897	721	1,490	250	5,576	660
Plan assets	-	-	-	-	-	-	-	-
Funded status - plan deficit	1,814	216	5,897	721	1,490	250	5,576	660
Unamortized net actuarial gain (loss)	-	-	-	(249)	-	-	-	(179)
Accrued benefit liability	$ 1,814	$ 216	$ 5,897	$ 472	$ 1,490	$ 250	$ 5,576	$ 481

The significant actuarial assumptions adopted in measuring the University's employee future benefit obligations are:

	2009 Supplementary Benefit Plan	2009 Early Retirement Plan	2009 Senior Administrative Leave	2009 Long-Term Disability Plan	2008 Supplementary Benefit Plan	2008 Early Retirement Plan	2008 Senior Administrative Leave	2008 Long-Term Disability Plan
Discount rate	n/a	5.70%	5.70%	5.70%	n/a	5.25%	5.25%	5.25%
Rate of compensation increase	n/a	n/a	6.00%	5.00%	n/a	n/a	6.00%	5.00%
Assumed benefit cost trend rates								
Pension contributions	n/a	n/a	n/a	5.00%	n/a	n/a	n/a	5.00%
Benefits	n/a	n/a	4.50%	4.50%	n/a	n/a	4.50%	4.50%
Average remaining service period of active employees	6 years	4 years	4 years	5 years	7 years	2 years	5 years	4 years

The University participates in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings.

The PSPP is a multi-employer contributory defined benefit pension plan for support staff members and is accounted for on a defined contribution basis. At December 31, 2008, the PSPP reported an actuarial deficiency of $1,187,538 (2007 - deficiency of $92,070). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2008. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $1,188 for the year ended March 31, 2009 (2008 - $1,095).

The UAPP is a multi-employer contributory defined benefit pension plan for academic staff members and other eligible employees. At December 31, 2008, the UAPP reported an actuarial funding deficiency of $1,055,471 (2007 – deficiency of $535,843) consisting of a pre-1992 deficiency of $752,437 and a post-1991 deficiency of $303,034. Based on an extrapolation of the UAPP's financial position to March 31, 2009, this deficiency has increased to $1,299,860 at March 31, 2009 ($857,110 for pre-1992 service and $442,750 for post-1991 service). The University's portion, which has been allocated based on its plan members' percentage of pensionable earnings, is estimated to be $44,443 at March 31, 2009 ($19,880 – March 31, 2008). The University has recorded $7,430 of pension expense and deferred $34,960 of unamortized experience losses as permitted under the prescribed standards for accounting for employee future benefits.

(in thousands of dollars)

Note 8 Employee Future Benefits (continued)

The significant actuarial assumptions used to value the UAPP's total accrued benefit liability are as follows:

	2009	2008
Accrued benefit obligation as of March 31		
Discount rate	6.70%	6.70%
Average compensation increase - short-term	6.00%	6.00%
Average compensation increase - long-term	3.00%	3.00%
Benefit costs for years ended March 31:		
Discount rate	6.70%	6.75%
Average compensation increase	6.00%	6.00%

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2007 – 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 1.74% (2007 – 2.28%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 1.08% (2007 – 2.64%) of salaries shared equally between employees and employers until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018 and continue until December 31, 2019.

Note 9 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2009			2008 Restated
	Capital	Research and Other	Total	Total
Balance, beginning of year	$ 44,534	$ 15,714	$ 60,248	$ 32,199
Grants and donations received	49,126	20,510	69,636	66,980
Recognized as revenue	(86)	(14,079)	(14,165)	(12,744)
Non-amortizable collection additions	-	(4)	(4)	(4)
Transferred to unamortized deferred capital contributions (Note 11)	(33,454)	(3,691)	(37,145)	(26,183)
Balance, end of year	60,120	18,450	78,570	60,248
Less amounts included in current liabilities	-	(17,532)	(17,532)	(13,953)
	$ 60,120	$ 918	$ 61,038	$ 46,295

(in thousands of dollars)

Note 10 Long-Term Obligations

	Amount Outstanding 2009	2008
Alberta Capital Finance Authority	$ 3,387	$ 3,524
Asset retirement obligation	1,427	1,382
Capital lease	384	483
	5,198	5,389
Current portion	(840)	(818)
	$ 4,358	$ 4,571

The Alberta Capital Finance Authority debenture was borrowed for student residences in the amount of $4,000 at 6% interest and is due April 15, 2023. The debenture is secured by cash flows generated from the Residence Park, Aperture Park and University Hall residences.

Debenture principal and interest repayments are as follows:

	Principal	Interest	Total
2010	$ 146	$ 203	$ 349
2011	154	195	349
2012	164	185	349
2013	173	176	349
2014	184	165	349
2015 to maturity	2,566	921	3,487
	$ 3,387	$ 1,845	$ 5,232

Interest on the debenture of $202 was charged to expense in fiscal 2009 (2008 - $212).

The asset retirement obligation represents the estimated present value of the legal obligation associated with the removal of asbestos from University Hall.

Reconciliation of the asset retirement obligation:

March 31, 2008 beginning balance	$ 1,382
Liabilities settled during the period	(218)
Accretion expense	21
Increase to obligation	242
March 31, 2009 ending balance	$ 1,427

Estimating the liability requires judgment by University administration related to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation. Costs are expected to be incurred over the next four fiscal years, with an undiscounted value of approximately $1.5 million. The credit-adjusted risk-free rate used for discounting the liability was 1.5%. The asset retirement obligation will reduce as the asbestos is removed from the building and amortized through the statement of operations. Further costs of removing asbestos cannot be reasonably estimated at this time, but will be recorded in the period in which there is sufficient information to estimate fair value.

The capital lease obligation relates to a contractual lease agreement of land and property from 2008 - 2012, where ownership will transfer to the University at the end of the lease.

(in thousands of dollars)

Note 11 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2009	2008
Balance, beginning of year	$ 119,515	$ 99,616
Additions from deferred contributions (Note 9)	37,145	26,183
Amortization to revenue	(7,280)	(6,284)
Balance, end of the year	$ 149,380	$ 119,515

Note 12 Endowments

Endowments consist of:

- Internal allocations by the Board of Governors (internally restricted).
- Restricted donations to the University - the principal must be maintained intact in perpetuity (externally restricted).

The investment income earned on internally restricted endowments is used to fund scholarship endowments as directed by Board of Governors resolutions. The purpose of the internally restricted endowments cannot be changed without approval of the Board of Governors.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the externally restricted endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of externally restricted endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

If, in any year, the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. This amount is expected to be recovered by future investment income.

	2009			2008		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Cumulative contributions	$ 21,930	$ 3,232	$ 25,162	$ 20,024	$ 2,672	$ 22,696
Cumulative capitalized earnings	3,448	342	3,790	9,026	451	9,477
	$ 25,378	$ 3,574	$ 28,952	$ 29,050	$ 3,123	$ 32,173

(in thousands of dollars)

Note 12 Endowments (continued)

During the 2009 fiscal year, the investment loss on externally restricted endowments of $6,333 was charged to endowment funds and $820 was transferred from endowments to Unrestricted Net Assets to fund approved net endowment spending.

The Board of Governors approved the permanent endowment of four Faculty of Education scholarships as well as the funding of endowment deficits and transferred $1,202 (2008- $1,342) from unrestricted net assets to externally restricted endowments.

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for specific needs such as one-time expenditures for increasing efficiency, reducing costs, construction or providing for contingencies.

	2009	2008
OPERATING		
Academic development	$ 7	$ 49
Campus planning studies	55	55
Utilities contingency - rate increases	55	55
Program development	88	88
	205	247
CAPITAL		
Capital replacement - Ancillary Services	3,583	3,207
Housing Services - residences	867	447
Buildings, plant, capital equipment [1]	322	8,513
Site and utilities	73	73
Utility conservation	157	157
Self insurance	33	208
Parking	852	447
Service vehicles and equipment	148	36
	6,035	13,088
	$ 6,240	$ 13,335

[1] The Board of Governors set aside $8,483 for funding of capital projects in 2008

Note 14 Unrestricted Net Assets

Unrestricted Net Assets represents amounts neither internally nor externally restricted for specific purposes. At March 31, 2009, the balance of $26,457 (2008 - $27,221) represents $35,927 (2008 - $34,871) for general unrestricted amounts offset by an unrestricted deficit of $9,470 (2008 – deficit $7,650) associated with future pension obligations.

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

Note 15 Investment Income (Loss)

	2009	2008
Income (loss) on investments held for endowments		
Externally restricted	$ (6,333)	$ (265)
Internally restricted	(109)	97
	(6,442)	(168)
Loss from other investments	(12,354)	(18)
Total investment loss	(18,796)	(186)
Amounts allocated from (to) deferred contributions	754	(1,291)
Income capitalized to endowment principal	6,333	265
Total investment income (loss)	$ (11,709)	$ (1,212)

Note 16 Salaries and Employee Benefits

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of salary and benefit information of all executive and vice presidents who are in the senior decision making group.

	2009				2008 Restated
	Base Salary[1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Chairman of Board[4]	$ -	$ -	$ -	$ -	$ -
Board Members[4]	-	-		-	-
President[5]	338	80	93	511	474
Executive/Vice Presidents					
Vice President (Academic)[5]	242	32	43	317	330
Vice President (Finance & Administration)	258	-	48	306	282
Vice President (Research)	211	-	40	251	228
Vice President (University Advancement)	178	-	35	213	194
Administrative leave benefit[6]					
President[5]				179	131
Vice President (Academic)[5]				55	101
Vice President (Finance & Administration)				59	64
Vice President (Research)				67	67

(1) Salary includes pensionable base pay.

(2) Other cash benefits include housing allowances and research allowances.

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, extended health benefits, group life insurance, long-term disability plans, professional memberships, supplementary benefit plan (as per note 7 below) and professional supplement allowance.

(in thousands of dollars)

Note 16 Salaries and Employee Benefits (continued)

(4) The Chairman and members of the Board of Governors receive no remuneration for participation on the Board.

(5) An adjustment was made to the prior year to include the research allowance.

(6) Administrative leaves are accrued for certain executive officers at a rate of one month for every five months served. If the leave is granted, all salaries and benefits excluding any housing allowances are paid on a monthly basis over the duration of the leave. Cash payments in lieu of administrative leave are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service, a discount rate based on market interest rates and management's best estimates of salary and benefit increases to the assumed retirement or termination date. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. The amounts shown include current and prior service costs.

(7) Under the terms of the supplementary benefit plan (SBP), certain senior executive officers will receive supplemental retirement payments. The costs detailed below are non-cash payments in the period but are a period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide a payment at termination of employment with the University. The SBP is a defined contribution plan. The University contributes annually to the SBP based on the employee's salary and this benefit earns interest at the annual realized rate of return on the University's long-term investments. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 4.15% in 2009 (2008 – 4.18%).

SUPPLEMENTARY BENEFIT PROGRAM

	2009			2008
	Current Service Cost	Interest Accrued	Total	Total
President	$ 50	$ 10	$ 60	$ 57
Executive/Vice Presidents				
Vice President (Academic)	12	1	13	13
Vice President (Finance & Administration)	13	3	16	14
Vice President (Research)	9	1	10	8
Vice President (University Advancement)	5	-	5	3

The accrued obligation for each executive under the Supplementary benefit program is outlined in the following table:

	Accrued obligation March 31, 2008	Changes in accrued obligation	Accrued obligation March 31, 2009
President	$ 241	$ 60	$ 301
Executive/Vice Presidents			
Vice President (Academic)	11	13	24
Vice President (Finance & Administration)	62	16	78
Vice President (Research)	37	10	47
Vice President (University Advancement)	7	5	12

(in thousands of dollars)

Note 17 Change in Non-Cash Working Capital

	2009	2008
Accounts receivable	$ 8,931	$ (8,430)
Inventories	(151)	(71)
Prepaid expenses	(380)	(238)
Accounts payable, accrued liabilities and holdbacks	591	523
Employee future benefits	2,049	392
Deferred revenue	149	(67)
Deferred contributions	3,579	2,952
Increase (decrease) in non-cash working capital	$ 14,768	$ (4,939)

Note 18 Related Party Transactions

The University of Lethbridge is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the University and the Province of Alberta are disclosed as follows:

	2009	2008
Advanced Education and Technology	$ 145,864	$ 127,276
Alberta Heritage Foundation for Medical Research	1,554	531
Alberta Solicitor General and Public Security	741	305
Alberta Cancer Board	375	290
Alberta Education	94	420
Alberta Tourism, Parks, Recreation and Culture	15	2,000
Other	546	391
Total contributions received	149,189	131,213
Less: Deferred contributions	(51,842)	(44,782)
Revenue from provincial government	$ 97,347	$ 86,431

Restricted grants are recognized as revenue in the period in which the related expenses are incurred.

The University of Lethbridge has accounts receivable from the Province of Alberta of $1,436 (2008 - $5,362) and accounts payable to the Province of Alberta of $581 (2008 - $144).

In 2008 and 2009 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a company formed in June 2005 to provide satellite imagery to Canadian academic markets. The University has one-third of the voting control of ATIC. At March 31, 2009 the University had a loan receivable from ATIC of $635 (2008 - $968) resulting from paying certain operating expenses on ATIC's behalf. These amounts are included in the University's statement of financial position as accounts receivable.

The University has significant influence in the Canada School of Energy and Environment (CSEE), a corporation formed in partnership with the University of Calgary and University of Alberta to facilitate the integration of research discoveries in energy and environmental research across various institutions through receipt of grant funding. The university holds one-third of the Board member seats with the ultimate control being held by the other two partners. At March 31, 2009 the University submitted $82 in research expenses to be funded by CSEE grants.

Note 19 Scholarships, Fellowships and Bursaries

In addition to the amount recognized, scholarships and bursaries totaling $2,863 (2008 - $2,437) were awarded to 1,954 (2008 - 1,756) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 20 Commitments and Contingencies

a) The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.

b) The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2008 CURIE had a surplus of $17,748 (2007 - $16,825). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated surplus of $13,771 as of December 31, 2008 (2007 - $13,737). The University held a 1.06% share in CURIE at December 31, 2008 and this is not recorded in the financial statements.

c) The University leases teaching facilities in Edmonton and Calgary. In fiscal 2009 basic rent on the property in Edmonton totaled $169 (2008 - $146), and occupancy costs were $207 (2008 - $181). A renewable five-year lease on this property began July 1, 2007. The new lease includes a 46% increase in the amount of space rented due to expansion requirements. Under the new lease, annual basic rent will start at $122 and increase by 3% each year thereafter, and occupancy costs will start at $180 and increase at a rate of 5% per year. The Calgary lease is a one year lease beginning July 1, 2008 with a 2 year option to renew where rates are subject to change. In fiscal 2009 the lease costs on facilities in Calgary totaled $139 (2008- $110). Lease costs are expected to increase for fiscal 2010 due to rising rental costs and additional space requirements.

d) In order to manage its exposure to the volatility in the electrical industry, the University has entered into two contracts to fix its electrical cost at an average of $.055 per KWh, one of which expires on December 31, 2010 and the other on May 31, 2016. The total cost of electrical power for the year ending March 31, 2010 is expected to be $1,937. The cost of electricity included in these statements for fiscal 2009 is $1,977 (2008 - $1,890).

e) As at March 31, 2009, the University had contractual commitments payable in subsequent years that total $34,713 (2008 - $13,049) related to various capital projects. The most significant of these commitments are for Markin Hall for Health Sciences and Management ($25,962), the Stadium and Sports Field Complex ($5,010), and the Daycare Facility ($1,662). These commitments are not recorded in the financial statements.

f) Under agreements and/or contracts with a number of employee groups, the University provides Professional Supplement funds for activities related to teaching, research, professional development or general University-related duties. At March 31, 2009 approximately $1,559 (2008 - $1,433) of such allowances is committed for expenses not yet incurred.

g) The University of Lethbridge has entered into a 10 year lease commencing February 26, 2003 of public land for the purpose of conducting research. The terms of the agreement obligate the University to reclaim all disturbed land surfaces to their original state within two growing seasons. The full impact and associated costs cannot be reasonably estimated at this time.

Note 20 Commitments and Contingencies (continued)

h) The University has committed to contribute $30 annually to the operating and capital costs of CYBERA, Alberta Cyberinfrastructure for Innovation, a non-profit organization mandated to provide provincial leadership in integrating, leveraging and sustaining investments in Cyberinfrastructure technologies in Alberta.

i) The University entered into a lease agreement for a warehouse bay for Sport and Recreation Services in Lethbridge, commencing October 1, 2007 for a five year term. In fiscal 2009 lease costs on the property totaled $41 and operating costs totaled $6.

Note 21 Capital Disclosures

The University defines capital as the amounts included in its deferred contributions (Note 9), endowment net assets (Note 12) and unrestricted net assets. A significant portion of the University's capital is externally restricted and the University's unrestricted capital is funded primarily by Alberta Education and Technology. The University has investment policies (Note 5), spending policies and cash management procedures to ensure the University meets its obligations.

Under the Post-Secondary Learning Act, the University must receive ministerial approval for a deficit budget, borrowing and the sale of land or buildings.

Note 22 Comparative Figures

Certain 2008 figures have been reclassified to conform to 2009 financial statement presentation.

Note 23 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE BANFF CENTRE FOR CONTINUING EDUCATION
Financial Statements

For the year ended March 31, 2009

Deloitte.

Auditors' Report

To: The Board of Governors of
The Banff Centre:

We have audited the statements of financial position of **The Banff Centre** as at March 31, 2009 and 2008 and the statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Calgary, Alberta
May 15, 2009

THE BANFF CENTRE

Statement of Financial Position
As at March 31, 2009
(in thousands of dollars)

	As at March 31, 2009	As at March 31, 2008 (restated - Note 20)
Assets		
Current assets		
Cash	$ 5,012	$ 1,251
Short-term investments (Note 4)	22,449	29,103
Accounts receivable	2,611	6,380
Pledges receivable	6,234	8,109
Inventories	437	432
Prepaid expenses	189	163
	36,932	45,438
Notes receivable and deferred charge (Note 5)	683	687
Long-term pledges receivable	9,579	11,599
Endowment and other investments (Note 4)	12,750	13,507
Capital assets and collections (Note 6)	93,711	78,864
	$ 153,655	$ 150,095
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,512	$ 2,989
Accrued vacation pay	1,421	1,282
Unearned revenue and deposits (Note 7)	1,742	1,709
Deferred contributions (Note 8)	4,217	4,402
Current portion of long-term debt (Note 9)	276	277
	11,168	10,659
Long-term debt (Note 9)	1,835	2,088
Employment related liabilities	605	464
Employee future benefit obligation (Notes 10 and 20)	1,290	1,160
Long-term deferred contributions (Note 8)	35,909	46,708
Deferred expended capital contributions (Note 11)	75,586	61,716
	126,393	122,795
Net assets		
Unrestricted (Note 12)	(31)	244
Unrestricted - employee future benefits (Notes 12 and 20)	(1,290)	(1,160)
Investment in capital assets and collections (Note 12)	16,014	14,778
Endowment (Note 13)	12,569	13,438
	27,262	27,300
	$ 153,655	$ 150,095

The accompanying notes are an integral part of these financial statements.

THE BANFF CENTRE

Statement of Operations and Changes in Net Assets

For the year ended March 31, 2009

(in thousands of dollars)

		Year Ended March 31, 2009		Year Ended March 31, 2008
Revenue				(restated - Note 20)
Accommodations	$	12,237	$	14,715
Grants (Note 15)		18,329		18,060
Other sales, rentals and services		10,724		9,149
Tuition and related fees		5,654		5,319
Donations and other contributions		6,102		3,792
Investment income		547		718
Amortization of deferred expended capital contributions		2,441		1,313
		56,034		53,066
Expense				
Salaries, wages and benefits (Note 16)		30,044		27,490
Change in employee future benefit obligation (Notes 10 and 20)		130		(210)
Purchased services		3,336		3,173
Materials, goods and supplies		4,779		4,689
Scholarships and financial assistance		3,882		3,768
Facility operations and maintenance		2,858		4,208
Utilities		1,875		1,600
Travel, training and related costs		1,844		1,704
Rentals and equipment		1,176		1,202
Marketing and recruitment		827		835
Financial costs		675		573
Amortization of capital assets		3,774		2,590
Loss on disposal of capital assets		3		3
		55,203		51,625
Excess of revenue over expense		831		1,441
Internally designated funds for capital acquisitions		(7)		(204)
Excess of revenue over expense, net of transfers		824		1,237
Net assets, beginning of year		27,300		25,322
Change in accounting policy - employee future benefits (Note 20)		-		(1,370)
Endowment contributions and other transfers		2,083		2,386
Endowment earnings (losses) retained in the fund		(846)		363
Endowment unrealized depreciation		(2,106)		(842)
Internally designated funds for capital acquisitions		7		204
Net assets, end of year	$	27,262	$	27,300

The accompanying notes are an integral part of these financial statements.

THE BANFF CENTRE

Statement of Cash Flows

For the year ended March 31, 2009
(in thousands of dollars)

	Year Ended March 31, 2009	Year Ended March 31, 2008 (restated - Note 20)
Cash flows from (used in) operating activities		
Excess of revenue over expense	$ 831	$ 1,441
Non-cash transactions:		
Amortization of deferred expended capital contributions	(2,441)	(1,313)
Amortization and loss on disposal of capital assets	3,777	2,593
Change in notes receivable and deferred charge	4	6
Change in long-term employment related liabilities	141	120
Change in long-term employee future benefit obligation	130	(210)
Unrealized loss on natural gas storage investment	164	-
Changes in:		
Non-cash working capital (Note 17)	3,349	(3,323)
Deferred contributions and pledges receivable	114	(608)
Net cash from (used in) operating activities	6,069	(1,294)
Cash flows from (used in) investing activities		
Acquisition of capital assets	(17,540)	(12,251)
Endowment earnings (losses) retained in the fund	(845)	363
Disposition (acquisition) of short-term investments	6,654	(4,342)
Acquisition of long-term investments	(1,513)	(2,818)
Net cash used in investing activities	(13,244)	(19,048)
Cash flows from (used in) financing activities		
Capital and other deferred contributions	6,723	24,104
Pledges receivable	2,384	(4,936)
Debt principal repayments	(2,595)	(278)
Long-term debt	2,341	-
Endowment contributions	2,083	2,386
Net cash from financing activities	10,936	21,276
Increase in cash	3,761	934
Cash, beginning of year	1,251	317
Cash, end of year	$ 5,012	$ 1,251

The accompanying notes are an integral part of these financial statements.

Note 1 Authority and Purpose

The Banff Centre (the "Centre") operates under the authority of the Post-Secondary Learning Act, 2003, Chapter P-19.5. The Centre is a registered charity and is exempt from income tax under Section 149 of the Income Tax Act. In December 2008 The Banff Centre for Continuing Education received approval from Alberta Minister of Advanced Education and Technology to change its name to The Banff Centre.

The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and the following significant accounting policies and reporting practices:

(a) *Revenue Recognition*

Amounts received for tuition, fees, and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

The Centre follows the deferral method of accounting for contributions.

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts and related earnings be retained as net assets or that the contributions not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. External funds invested in capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital assets is recorded. The related portions of amortization expense and capital contributions revenue are matched to indicate that the amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Note 2 Significant Accounting Policies and Reporting Practices continued

(b) Scholarships and Financial Assistance

Scholarships and financial assistance include payments to resident artists and program participants for tuition, fees, accommodation and other program related costs.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value. Cost is calculated principally using the weighted average cost method.

(d) Pledges Receivable

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(e) Endowment and Other Investments

Endowment and other investments are classified as held for trading and stated at fair value. Fair values are determined based on quoted market prices at year-end. Realized gains and losses and unrealized appreciation and depreciation of endowment investments are reflected in the statement of changes in net assets. Realized and unrealized gains and losses on other investments are recognized in income.

(f) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value. Capital assets, except property under development and the artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years
Technical equipment	5 years
Computer equipment	4 years

The useful lives have been estimated by management and will inevitably differ from actual, perhaps significantly, resulting in amortization expense not matching utilization over the lives of the assets. No amortization expense is recorded in the year of acquisition.

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre. Artworks are not amortized.

Effective April 1, 2008 the Centre is recording computer equipment in a separate category and amortizing over 4 years straight-line.

Note 2 Significant Accounting Policies and Reporting Practices continued

(g) Employee Future Benefits

The Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit pension plans that provide pensions for the Employers' participating employees based on years of service and earnings.

The Centre does not have sufficient plan information on the PSPP required to follow the standards for defined benefit accounting. Accordingly, pension expense recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year. The contributions are calculated based on actuarially pre-determined amounts that are expected to provide the plan's respective future benefits.

Pension expense for the UAPP is actuarially determined using the projected benefit method prorated on service and is allocated to each participant based on their respective percentage of pensionable earnings.

(h) Use of Estimates

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, estimates are used to determine the employee future benefit obligation, the provision for bad debts, and the useful lives of capital assets.

(i) Financial Instruments

Financial instruments are recognized at fair value when acquired. Measurement in subsequent periods depends upon the classification of financial instruments as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Items classified as held for trading or available for sale are adjusted for changes in fair value which are recognized in income in the period in which they arise; items classified as held to maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method.

Financial instruments are comprised of cash, short-term investments, accounts receivable, notes receivable, pledges receivable, endowment and other investments, accounts payable and accrued liabilities, accrued vacation pay, employment related liabilities and long-term debt including obligations under capital leases. Notes, pledges and accounts receivable are classified as loans and receivables and carried at amortized cost, which approximates fair value. At each balance sheet date these financial assets are assessed for impairment and the amount of any loss is measured as the difference between the carrying amount of the asset and its fair value and recorded in the statement of operations. All other financial assets are carried at fair value as these assets are held for trading. All financial liabilities are classified as other liabilities and carried at amortized cost, which approximates fair value.

Note 2 Significant Accounting Policies and Reporting Practices continued

Credit, Interest Rate and Market Risk - The Centre's accounts receivable and pledges receivable are subject to normal credit risks due to the nature of the Centre's customers and donors. The carrying values of these receivables reflect management's assessment of the credit risk associated with these customers and donors. The Centre's fixed income endowment and short-term investments are exposed to fluctuations in interest rates. The Centre's foreign currency holdings and long-term investments are subject to market risk. The Centre does not hold any derivative investments or asset-backed securities in its investment portfolios.

Note 3 Changes in Accounting Policies

The Centre is now recording a liability associated with the Universities Academic Pension Plan (UAPP). The effect of these changes in the financial statements is described in Notes 10 and 20.

As of April 1, 2008, the Centre adopted CICA Section 1535, *Capital Disclosures*. This section requires the Centre to disclose information about an entity's capital and how it is managed. The Centre's adoption of CICA Section 1535 has resulted in the capital management disclosure set forth in Note 14.

Similarly, effective April 1, 2008, the Centre adopted CICA Section 3031, *Inventories*. This section replaces CICA Section 3030, *Inventories*. The new section provides additional guidance on the measurement of inventories and related disclosure requirements. The effect of these changes in the financial statements are not material to the Centre.

Several sections of the CICA Handbook have been amended to include not-for-profit organizations within their scope. The amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009.

The main features of the amendments are as follows:

- Financial Statement Presentation by Not-for-Profit Organizations, Section 4400. This section has been amended to eliminate the requirement to treat net assets invested in property and equipment as a separate component of net assets, and instead permits the not-for-profit organization to present such an amount as a category of internally restricted net assets. It also requires not-for-profit organizations to recognize and present revenue and expenses on a gross basis, if the not-for-profit is acting as a principal in the transactions;

- Cash Flow Statements, Section 1540. This Section has been amended to include not-for-profit organizations within its scope;

- Disclosure of Related Party Transactions by Not-for-profit Organizations, Section 4460. This Section has been amended to make the language in Section 4460 consistent with Section 3840 Related Party Transactions;

- Disclosure of Allocated Expenses by Not-for-profit Organizations, Section 4470. This new Section establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new section are:

  A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, and the basis on which such allocations have been made; and

Note 3 Changes in Accounting Policies continued

A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

The Centre is currently evaluating the impact of the adoption of these new sections on its financial statements and does not expect that these new sections will have a material impact on the financial statements of future periods

Note 4 Investments

Short-term

Short-term investments carried at fair value include Canadian and US dollar money market funds, Treasury Bill funds and Guaranteed Investment Certificates.

Long-term

	2009		2008	
	Market Value	Cost	Market Value	Cost
Cash and cash equivalents	$ 698	$ 698	$ 1,122	$ 1,122
Government bonds	1,671	1,642	1,477	1,440
Corporate bonds	2,821	2,852	1,421	1,424
Equities	7,384	9,169	10,146	9,862
	12,574	14,361	14,166	13,848
Endowment earnings and other receivables	(5)	(5)	(728)	(728)
Endowment investments	12,569	14,356	13,438	13,120
Other investments, at cost	181	345	69	69
	$ 12,750	$ 14,701	$ 13,507	$ 13,189

Note 5 Notes Receivable and Deferred Charge

In prior years, the Centre advanced a total of $672,800 to Rocky Mountain Cooperative Housing Association (the "Cooperative") for the right to lease 42 accommodation units through December 2019. In December 2005, the terms of the notes were modified to discontinue the accrual of interest (interest accrued to that date was $26,037). The notes are unsecured, repayable in 2019. Commitments under these operating leases are included in Note 9 - Long-Term Debt and Commitments.

The notes receivable are discounted to a present value of $411,464 (2008 - $393,068). The discount is amortized using the effective interest method. The deferred charge of $245,540 is amortized over the lease period.

Note 6 Capital Assets and Collections

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land improvements	$ 2,722	$ 2,325	$ 397	$ 2,722	$ 2,276	$ 446
Buildings and improvements	96,630	36,476	60,154	97,041	34,121	62,920
Furnishings and equipment	26,544	20,494	6,050	26,688	19,483	7,205
Artwork collection	1,214	-	1,214	1,212	-	1,212
Property under development	25,552	-	25,552	7,081	-	7,081
Computer equipment	344	-	344	-	-	-
	$ 153,006	$ 59,295	$ 93,711	$ 134,744	$ 55,880	$ 78,864

Land is leased from the Government of Canada. The current lease expires on July 31, 2043, and is renewable.

Note 7 Unearned Revenue and Deposits

	2009	2008
Accommodation deposits	$ 820	$ 962
Other sales and services	922	747
	$ 1,742	$ 1,709

Note 8 Deferred Contributions

	2009	2008
Deferred contributions, beginning of year	$ 51,110	$ 34,778
Contributions:		
Operating	1,604	6,593
Capital and other	6,724	24,104
Distributed endowment earnings	367	519
Transferred to operations:		
Grants and contributions	(3,033)	(2,816)
Endowment earnings utilized	(335)	(373)
Transferred to deferred expended capital contributions (Note 11)	(16,311)	(11,695)
Deferred contributions, end of year	$ 40,126	$ 51,110
Current portion of non-capital deferred contributions	(4,217)	(4,402)
Long-term deferred contributions	$ 35,909	$ 46,708
Deferred contributions are comprised of:		
Operating	$ 7,539	$ 8,912
Capital and other	32,587	42,198
	$ 40,126	$ 51,110

Note 9 Long-Term Debt and Commitments

		2009		2008
Term loan - Professional Development Centre	$	2,111	$	2,364
Capital leases		-		1
		2,111		2,365
Less: debt due within one year		(276)		(277)
Long-term debt	$	1,835	$	2,088

Future expected minimum repayments are as follows:

Year Ending March 31		Professional Development Centre		Construction Contractual Obligations		Operating Leases
2010	$	276	$	34,127	$	958
2011		1,835		4,949		827
2012		-		-		705
2013		-		-		641
2014		-		-		605
thereafter		-		-		3,341
	$	2,111	$	39,076	$	7,077

In May 2008, the Centre refinanced the loan for a two-year period with fixed principal repayments of $276,000 per annum plus interest at a fixed rate of 4.11%.

Interest expense on long-term debt for the years ended March 31, 2009 and 2008 was $86,027 and $109,778, respectively. Interest expense approximates interest paid for both fiscal years.

In July 2004 the Centre entered into a long-term supply arrangement with an electrical utility supplier for its electrical power needs for the period January 1, 2006 to January 1, 2011, at a rate of $0.0469/kwh.

The Centre is party to an agreement with Rocky Mountain Cooperative Housing Association under which the Centre is committed to the rental of 42 housing units through December 2019. Under this agreement, the monthly rent is $47,733, and the total of all commitments over the remainder of the lease term is $6,157,557.

The Centre is party to an agreement with YWCA Banff under which the Centre is committed to the rental of 13 single rooms through August 31, 2010. Under this agreement, the monthly rent is $5,633 and the total of all commitments over the remainder of the lease term is $95,761.

During 2006 the Centre began construction of new facilities as part of a phased redevelopment project expected to be completed in mid - 2010. During the fiscal year ended March 31, 2009, the Centre began construction of the new Kinnear Centre and revitalization of Smith Hall under contracts totaling $63,095,801. Funding for these projects included $55 million from Alberta Advanced Education (all has been received except for $3.5 million) $15 million from the Government of Canada and other public and private donations to be raised during the Centre's capital campaign.

The Banff Centre has a Letter of Credit Facility of up to $200,000 ("Credit Facilities"). Drawings under this Commercial Letter of Credit Facility are available by way of commercial letters of credit. At March 31, 2009, $75,000 was issued leaving $125,000 of available credit.

Note 10 Employee Future Benefit Obligation

The Centre participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the Centre's participating employees based on years of service and earnings.

The Centre does not have sufficient plan information on the PSPP required to follow the standards for defined benefit accounting. Accordingly, pension expense of $546,640 (2008 - $495,593) recorded for the PSPP is comprised of employer contributions to the plan that are required for its employees during the year. The contributions are calculated based on actuarially pre-determined amounts that are expected to provide the plan's respective future benefits.

The UAPP is a multi-employer contributory defined benefit pension plan for academic staff members and other eligible employees. Based on an extrapolation of the UAPP's financial position to March 31, 2009, the UAPP reported an actuarial funding deficiency of $1,299,860,000 consisting of a pre-1992 deficiency of $857,110,000 and a post-1991 deficiency of $442,750,000. The Centre's portion, which has been allocated based on its plan members' percentage of pensionable earnings, is estimated to be $1,290,000 at March 31, 2009 ($1,160,000 – March 31, 2008).

The significant actuarial assumptions used to value the UAPP's total accrued benefit liability are as follows:

(in thousands of dollars)	2009	2008
Accrued benefit obligation as of March 31	$ 3,283,830	$ 3,104,580
Discount Rate	6.70%	6.70%
Benefit costs for years ended March 31	$ 113,100	$ 102,140
Discount Rate	6.70%	6.75%
Average Compensation Increase	6.00%	6.00%

The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2008 – 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of salaries required to eliminate the unfunded deficiency by December 31, 2043.

Note 11 Deferred Expended Capital Contributions

	2009	2008
Balance, beginning of year	$ 61,716	$ 51,334
Transferred from deferred contributions to acquire capital assets (Note 8)	16,311	11,695
Transferred to revenue	(2,441)	(1,313)
Balance, end of year	$ 75,586	$ 61,716

Note 12 Net Assets

	Unrestricted	Employee Future Benefits	Investment in Capital Assets and Collections	2009	2008
		Note 10			restated Note 20
Operating net assets, beginning of year	$ 244	$ (1,160)	$ 14,778	$ 13,862	$ 13,581
Excess of revenue over expense, net of transfers	824			824	1,237
Internally designated funds for capital acquisitions	7			7	204
Employee Future Benefit Obligation	130	(130)		-	(1,160)
Internally funded:					
Capital acquisitions	(2,318)		2,318	-	-
Amortization and loss on disposal of capital assets	1,336		(1,336)	-	-
Repayment of debt	(254)		254	-	-
Operating net assets, end of year	$ (31)	$ (1,290)	$ 16,014	$ 14,693	$ 13,862

Note 13 Endowment

	2009	2008
Endowment, beginning of year	$ 13,438	$ 11,531
Contributions and other transfers	2,083	2,386
Investment income	462	355
Net change in value		
Realized	(941)	527
Unrealized	(2,106)	(842)
Distribution of accumulated earnings available for spending	(367)	(519)
Endowment, end of year	$ 12,569	$ 13,438

Through March 2009, the Centre had transferred $4,640,371 (through March 2008 $3,330,156) of endowment contributions to the Banff Community Foundation (the "Foundation") in accordance with the terms of an application for matching funds from Canadian Heritage under the Endowment Incentives program. These contributions and any matching funds will be held by the Foundation and managed as a permanent endowment for the sole benefit of the Centre. The market and book values of funds held by the Foundation at March 31, 2009, including matching funds, are $5,546,500 and $6,655,840 respectively. The Foundation is a public charitable foundation not controlled by the Centre.

Note 14 Capital Disclosures

As a Not-For-Profit organization, the Centre operates under a framework established by the Post-Secondary Learning Act of the Province of Alberta, which includes capital restrictions imposed on the institution. The Centre defines its capital as the amounts included in its deferred contribution and net asset balances. The Centre's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to support education and service delivery to the Centre's community and other stakeholders.

A portion of the Centre's capital is externally restricted and must meet certain requirements. The Centre has restricted capital balances in deferred expended capital contributions (note 11) and investment earnings from endowments (note 13). The Centre has internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

Management and the Board of Directors carefully consider fundraising campaigns, grants, sponsorship and investment income to ensure that sufficient funds will be available to meet the Centre's short and long-term objectives. The Centre monitors its financial performance against an annual budget. In the event that revenues decline or there are forecasted operating deficits, management will cut costs to minimize operating expenditures.

Note 15 Grants

	2009	2008
Base operating grant from Alberta Advanced Education	$ 13,870	$ 13,806
Other grants:		
Province of Alberta		
Advanced Education	2,099	2,061
Innovation and Science	99	94
Community Development and Other	269	168
Government of Canada - Canadian Heritage		
National Arts Training Contribution Program	1,340	1,340
Arts Presentation Canada Program	124	100
Museum Assistance Program	23	32
Other Government	505	459
	4,459	4,254
	$ 18,329	$ 18,060

Note 16 Salaries, Wages and Benefits

	2009	2008
Pension contributions	1,449	$ 1,308
Salaries, wages and non-pension benefits	28,595	26,182
	30,044	$ 27,490

Note 17 Changes in Non-Cash Working Capital

	2009	2008
Changes in:		
Accounts receivable	$ 3,769	$ (2,960)
Inventories	(5)	(47)
Prepaid expenses	(26)	117
Accounts payable and accrued liabilities related to operations	(561)	(477)
Accrued vacation pay	139	25
Unearned revenue and deposits	33	19
	$ 3,349	$ (3,323)

Note 18 Salary Disclosure

The salaries and benefits of the Board of Governors and senior management are as follows

	2009			2008
	Salaries (1)	Non-Cash Benefits (2)	Total	Total
Board of Governors (3)	$ -	$ -	$ -	$ -
President	293	37	330	309
Vice-Presidents				
Programming	167	28	195	180
Finance	206	28	234	221
Hospitality & Conferences	166	20	186	178
	$ 832	$ 113	$ 945	$ 888

(1) salaries include regular base pay and other direct cash remuneration

(2) non-cash benefits include the Centre's share of all employee benefits and payments made on behalf of employees including pension, health care, insurance and disability plans, tuition benefits and taxable benefits for the use of Banff Centre residences and vehicles

(3) the Chair and members of the Board of Governors receive no remuneration for their services

Note 19 Budget

The following represents The Banff Centre's operating budget for the fiscal year ended March 31, 2009.

Revenue		
Accommodations	$	16,393
Grants		17,716
Other sales, rentals and services		8,493
Tuition and related fees		6,287
Donations and other contributions		5,296
Investment income		683
Amortization of deferred expended capital contributions		1,794
		56,662
Expense		
Salaries, wages and benefits		30,508
Purchased services		3,553
Materials, goods and supplies		5,007
Scholarships and financial assistance		4,285
Facility operations and maintenance		3,481
Utilities		2,008
Travel, training and related costs		2,006
Rentals and equipment		1,282
Marketing and recruitment		825
Financial costs		565
Amortization of capital assets		3,142
		56,662
Excess of revenue over expense	$	-

Note 20 Change in Accounting Policies

Employee Future Benefits

In previous years, the Centre had accounted for its pension costs in the Universities Academic Pension Plan (UAPP) based on employer paid contributions. Although the total UAPP pension liability was known; there was significant measurement uncertainty with respect to each participants' share

The Participants and the Province of Alberta have made their best estimates to allocate to each institution their respective share of the unfunded liability as at March 31, 2009. As a result, the Centre has changed its accounting policy from defined contribution to defined benefit accounting to provide more complete and transparent financial statements

Note 20 Change in Accounting Policies continued

These changes have been applied retrospectively with restatement of comparative amounts. The impact on the prior year's financial statements as a result of the change in accounting policy is as follows:

(in thousands of dollars)	As previously reported	Adjustment recorded	2008 (as restated)
Increase (decrease) in:			
Statement of Financial Position			
Employee future benefit obligation	$ -	$ 1,160	$ 1,160
Statement of Operations			
Change in employee future benefit obligati	$ -	$ (210)	$ (210)